Financial report

of the Alior Bank Spółka Akcyjna Group

for the first half of 2016

Selected financial data

	in PLN'000			
	1.01.2016 - 30.06.2016	1.01.2015- 31.12.2015	1.01.2015 - 30.06.2015	%% (A-B)/B
	A		B	C
Net interest income	856 667	1 501 013	717 714	19,4%
Net fee and commission income	163 419	331 668	163 109	0,2%
Trading result & other	162 594	333 332	163 907	-0,8%
Impairment losses	-348 857	-672 113	-304 139	14,7%
General administrative expenses	-563 829	-1 107 892	-520 392	8,3%
Gross profit	217 064	386 008	220 199	-1,4%
Net profit	161 736	308 975	178 682	-9,5%
Total net cash flow	-1 242 088	745 939	750 383	-
Loans and advances to customers	34 136 419	30 907 057	28 344 652	20,4%
Deposits from customers	37 989 929	33 663 542	29 774 617	27,6%
Total equity	5 801 357	3 514 099	3 345 221	73,4%
Total assets	47 041 752	40 003 010	36 466 760	29,0%
Ratios				
Earnings per share (PLN)	2,16	4,31	2,50	-13,6%
Capital adequacy ratio	20,93%	12,54%	12,78%	63,5%
Tier 1	17,31%	9,69%	10,23%	68,8%

	in EUR'000			
	1.01.2016 - 30.06.2016	1.01.2015- 31.12.2015	1.01.2015 - 30.06.2015	%% (A-B)/B
	A		B	C
Net interest income	195 564	358 682	173 608	12,6%
Net fee and commission income	37 306	79 255	39 455	-5,4%
Trading result & other	37 118	79 653	39 648	-6,4%
Impairment losses	-79 639	-160 608	-73 568	8,3%
General administrative expenses	-128 713	-264 742	-125 878	2,3%
Gross profit	49 552	92 240	53 264	-7,0%
Net profit	36 922	73 833	43 221	-14,6%
Total net cash flow	-283 549	178 250	181 511	-
Loans and advances to customers	7 713 573	7 252 624	6 757 737	14,1%
Customer deposits	8 584 325	7 899 458	7 098 659	20,9%
Total equity	1 310 893	824 616	797 545	64,6%
Total assets	10 629 703	9 387 073	8 694 154	22,3%
Ratios				
Earnings per share (EUR)	0,49	1,03	0,60	-18,5%
Capital adequacy ratio	20,93%	12,54%	12,78%	63,5%
Tier 1	17,31%	9,69%	10,23%	68,8%

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 - 4.4255;
- 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;

a)as at 31.12.2015
- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 31.12.2015 - 4.2615;
- 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 - 4.1848;

a)as at 30.06.2015
- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.06.2015 - 4.1944;
- 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 - 4.1341;

Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group

for the first half of 2016

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.

Contents

(in PLN '000)

Interim condensed consolidated income statement

	Note	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2015-30.06.2015	01.01.2015-30.06.2015
Interest income		693 748	1 356 990	596 336	1 152 461
Interest expense		-249 575	-500 323	-222 926	-434 747
Net interest income	**4**	**444 173**	**856 667**	**373 410**	**717 714**
Dividend income		**34**	**34**	**42**	**42**
Fee and commission income		137 134	275 104	124 811	260 393
Fee and commission expense		-60 976	-111 685	-54 485	-97 284
Net fee and commission income	**5**	**76 158**	**163 419**	**70 326**	**163 109**
Trading result	**6**	**72 819**	**131 136**	**71 424**	**135 816**
Net gain (realized) on other financial instruments	**7**	**10 156**	**20 766**	**-503**	**4 345**
Other operating income		18 505	33 720	31 821	51 047
Other operating costs		-18 458	-23 062	-21 530	-27 343
Net other operating income	**8**	**47**	**10 658**	**10 291**	**23 704**
General administrative expenses	**9**	**-287 215**	**-563 829**	**-262 534**	**-520 392**
Impairment losses & provisions	**10**	**-173 112**	**-348 857**	**-159 483**	**-304 139**
Bank tax		**-32 257**	**-52 930**	**0**	**0**
Profit before tax		**110 803**	**217 064**	**102 973**	**220 199**
Income tax	**11**	-29 169	-55 328	-15 770	-41 517
Net profit from continuing operations		**81 634**	**161 736**	**87 203**	**178 682**
Net profit attributable to equity holders of the parent		*81 661*	*161 888*	*87 811*	*179 035*
Net loss attributable to non-controlling interests		*-27*	*-152*	*-608*	*-353*
Net profit		**81 634**	**161 736**	**87 203**	**178 682**
Weighted average number of ordinary shares pcs.		**77 057 482**	**74 882 473**	**72 537 391**	**71 468 543**
Basic earnings per share (in PLN)	**12**	**1,06**	**2,16**	**1,20**	**2,50**
Diluted earnings per share (in PLN)	**12**	**1,02**	**2,08**	**1,15**	**2,39**

Interim condensed consolidated statement of comprehensive income

	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2015-30.06.2015	01.01.2015-30.06.2015
Net profit	**81 634**	**161 736**	**87 203**	**178 682**
Taxable other comprehensive income to be credited to the net profit / (loss) after the required conditions have been satisfied	-25 886	-18 495	-56 742	-44 150
Results of the measurement of financial assets available for sale (net)	-16 950	-7 863	-19 533	-14 168
Profit/loss on valuation of financial assets available for sale	-20 925	-9 707	-24 088	-17 491
Deferred tax	3 975	1 844	4 555	3 323
Results of the measurement of hedging instruments (net)	-8 936	-10 632	-37 209	-29 982
Profit/loss on valuation of hedging instruments	-11 033	-13 126	-45 937	-37 015
Deferred tax	2 097	2 494	8 728	7 033
Total comprehensive income, net	**55 748**	**143 241**	**30 461**	**134 532**
- attributable to shareholders of the parent company	55 775	143 393	31 069	134 885
- attributable to non-controlling interests	-27	-152	-608	-353

The notes presented on pages 10-68 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note	As at 30.06.2016	As at 31.12.2015
Cash and balances with the Central Bank	13	725 871	1 750 135
Financial assets held for trading	22	402 487	390 569
Available-for-sale financial assets	14	8 504 932	4 253 119
Hedging derivatives	23	53 661	139 578
Amounts due from banks	16	1 336 745	645 329
Loans and advances to customers	15	34 136 419	30 907 057
Assets pledged as collateral	30	563 369	628 332
Property, plant and equipment		218 312	228 955
Intangible assets		392 648	387 048
Non-current asset held for sale		696	888
Income tax asset		344 404	275 453
Current		322	0
Deferred		344 082	*275 453*
Other assets	17	362 208	396 547
TOTAL ASSETS		**47 041 752**	**40 003 010**

LIABILITIES AND EQUITY	Note	As at 30.06.2016	As at 31.12.2015
Financial liabilities held for trading	22	298 896	310 180
Amounts due to banks	19	1 016 777	1 051 028
Amounts due to customers	18	37 989 929	33 663 542
Provisions	20	11 551	10 813
Other liabilities	21	738 916	535 274
Income tax liabilities		18 876	21 776
Current		18 787	21 776
Deferred		89	0
Subordinated loans	24	1 165 450	896 298
Total liabilities		**41 240 395**	**36 488 911**
Equity	**25**	**5 801 357**	**3 514 099**
Equity attributable to equity holders of the parent		**5 800 370**	**3 512 859**
Share capital		1 292 577	727 075
Supplementary capital		4 172 467	2 279 843
Revaluation reserve		-3 280	15 215
Other reserves		183 803	184 735
Undistributed result from previous years		-7 085	-3 657
Current year profit/loss		161 888	309 648
Non-controlling interests		987	1 240
TOTAL LIABILITIES AND EQUITY		**47 041 752**	**40 003 010**

The notes presented on pages 10-68 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed statement of changes in consolidated equity

1.01.2016- 30.06.2016	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit current year	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	-	-	-	-	**309 648**	**-309 648**	-	-
Comprehensive income	-	-	-	**-18 495**	-	**161 888**	-	**143 393**
net profit	-	-	-	-	-	161 888	-	161 888
other comprehensive income	-	-	-	-18 495	-	-	-	-18 495
Share issue	**565 502**	**1 579 494**	-	-	-	-	-	**2 144 996**
Transfer from undistributed profits	-	**312 016**	-	-	**-312 016**	-	-	-
Other changes in equity (correction banc./ change of an approved result)	-	**1 114**	**-932**	-	**-1 060**	-	**-253**	**-1 131**
As at 30 June 2016	**1 292 577**	**4 172 467**	**183 803**	**-3 280**	**-7 085**	**161 888**	**987**	**5 801 357**

1.01.2015 - 30.06.2015	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Non-controlling interests	Total equity
As at 1 January 2015	**699 784**	**1 775 397**	**184 008**	**21 426**	**9 804**	**322 744**	**1 913**	**3 015 076**
Transfer of the previous year result	-		-	-	**322 744**	**-322 744**	-	-
Comprehensive income	-	-	-	**-44 150**	-	**179 035**	**-353**	**134 532**
net profit	-	-	-	-	-	179 035	-353	178 682
other comprehensive income	-	-	-	-44 150	-	-	-	-44 150
Share-based payments	-	-	**1 754**	-	-	-	-	**1 754**
Share issue	**27 028**	**166 831**	-	-	-	-	-	**193 859**
Transfer from undistributed profits	-	**336 156**	-	-	**-336 156**	-	-	-
As at 31 December 2015	**726 812**	**2 278 384**	**185 762**	**-22 724**	**-3 608**	**179 035**	**1 560**	**3 345 221**

The notes presented on pages 10-68 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Operating activities		
Net profit	**217 064**	**220 199**
Adjustments:	**-3 804 125**	**626 714**
Unrealized foreign exchange gains/losses	1 980	-1 249
Amortization/depreciation of tangible and intangible assets	47 503	88 204
Change in tangible and intangible assets impairment write-down	12 241	3 190
Change in provisions	738	6 209
Share-based payments	-932	1 754
Change in loans and receivables	-4 138 602	-1 965 722
Change in financial assets available for sale	-4 251 813	397 224
Change in financial assets held for trading	-11 918	49 348
Change in assets pledged as collateral	64 963	-568 254
Change in hedging asset derivatives	85 917	30 760
Change in non-current assets held for sale	192	-971
Change in other assets	34 339	-100 036
Change in deposits	4 291 146	1 812 725
Change in issued debt and subordinated liabilities	78 868	537 476
Change in financial liabilities held for trading	-11 284	-25 723
Change in hedging liabilities derivatives	0	6 110
Change in other liabilities and other comprehensive income	115 569	439 739
Income tax paid	-123 032	-84 070
Net cash flow from / (used in) operating activities	**-3 587 061**	**846 913**
Investing activities		
Outflows:	**-43 687**	**-283 679**
Purchase of tangible fixed assets	-16 709	-30 104
Purchase of intangible assets	-26 978	-43 549
Purchase of shares in subordinated companies	0	-210 026
Inflows:	**3 746**	**310**
Disposal of property, plant and equipment	3 746	310
Net cash used in investing activities	**-39 941**	**-283 369**
Financing activities		
Outflows:	**-24 113**	**-198 549**
Repayment of long-term liabilities	0	-184 216
Interest expense – subordinated loan	-24 113	-14 333
Inflows:	**2 409 027**	**385 388**
Inflows from share issue	2 144 949	193 859
Inflows from the issuance of subordinated liabilities	264 078	191 529
Net cash flow from financing activities	**2 384 914**	**186 839**
Total net cash flow	**-1 242 088**	**750 383**
incl. exchange gains/(losses)	**6 099**	**5 333**
Balance sheet change in cash and cash equivalents	**-1 242 088**	**750 383**
Cash and cash equivalents, opening balance	2 202 212	1 456 273
Cash and cash equivalents, closing balance	960 124	2 206 656
Additional disclosures on operating cash flows		
Interest income received	1 508 561	849 922
Interest expense paid	-460 569	-255 811

The notes presented on pages 10-68 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 S.A. 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 on 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 Spółki Akcyjnej

The Bank's share capital amounts to PLN 1 292 577 120 and is divided into 129 257 712 ordinary shares of PLN 10.00 par value each, including:

- 50 000 000 A series ordinary shares
- 1 250 000 B series ordinary shares
- 12 332 965 C series ordinary shares
- 6 358 296 G series ordinary shares
- 410 704 D series ordinary shares

(in PLN '000)

- 2 355 498 H series ordinary shares
- 56 550 249 akcji zwykłych serii I.

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 2016 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 notifications received by Alior Bank under Art. 69 of the Public Offering Act.

Shareholder	Number of shares	Par value of shares [PLN]	% share in share capital	Number of votes	Share in total number of votes
PZU SA[1]	37 773 265	377 732 650	29.22%	37 773 265	29.22%
Aviva OFE Aviva BZ WBK[2]	9 262 138	92 621 380	7.17%	9 262 138	7.17%
Genesis Asset Managers LLP[3]	7 800 773	78 007 730	6.04%	5 922 058	4.58%
Other shareholders	74 421 536	744 215 360	57.58%	76 300 251	59.03%
Total	129 257 712	1 292 577 120	100%	129 257 712	100%

(1) Together with the parties to the agreement dated 27 April 2016, i.e. PZU Życie, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, based on the number of shares registered at the Extraordinary General Meeting held on 29 July 2016.
(2) Based on the number of shares registered at the Extraordinary General Meeting held on 29 July 2016.
(3) Based on information received from the shareholder, Genesis Asset Managers LLP holds 7,800,773 shares, but is entitled to voting rights from only 5,922,058 shares. Therefore, it was assumed that the number of shares held by Genesis Asset Managers LLP which do not carry voting rights increases the number of voting rights held by the other Alior Bank shareholders.

On 11 March and 14 March 2016 the Management Board received notifications pursuant to Art. 69 of the Public Offering Act on the change in the shares of PZU SA and Alior Lux S.à.r.l. & Co S.C.A. in the total number of votes at the General Shareholders' Meeting. In accordance with the notifications received, as a result of the transaction of 9 March 2016 (settled on 11 March 2016) PZU S.A. and its subsidiary PZU Życie S.A. jointly held 18 345 820 shares of the Bank representing 25.232% of the votes at the General Shareholders' Meeting. As a result of disposal, Alior Lux S.à.r.l. & Co. S.C.A. does not hold any shares of the Bank.

According to the received notifications pursuant to Art. 69 of the Public Offering Act in accordance with the written agreement concluded on April 27, 2016 between Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 on the unanimous voting on General Meetings of the Bank and change in the share in the total number of votes, these entities held together 21 247 464 shares of the Bank constituting 29.22% of votes at the general Meeting.

Based on Resolution No. 3 of the Extraordinary General Shareholders' Meeting on increasing the share capital by issuing I-series shares under a closed subscription conducted by way of a public offering, determining the date of the I-series shares subscription date as at 23 May

(in PLN '000)

2016, granting the Supervisory Board competences to give its consent to concluding an underwriting agreement, dematerialize and request admission to granting pre-emptive rights, rights to shares and trading on a regulated market maintained by the Warsaw Stock Exchange and to amending the Articles of Association and authorizing the Supervisory Board to determine the consolidated text of the Articles of Association, passed on 5 May 2016, in the audited period the bank's share capital was increased by 56,550,249 I-series ordinary bearer shares with a nominal value of PLN 10 each. On 24 June 2016 the shares were registered with the National Court Register. Registration was one of the conditions of the share sale and demerger agreement relating to the spin-off of a part of Bank BPH SA dated 31 March 2016, concluded by and between the Bank and GE Investments Poland sp. z o.o. DRB Holdings B.V and Selective American Financial Enterprises, LLC. the shares were registered by the National Depository of Securities on 27 June 2016.

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

Composition of the Bank's Management Board as at 30 June 2016 and 31 December 2015:

Wojciech Sobieraj	**CEO**
Małgorzata Bartler	Deputy CEO
Krzysztof Czuba	Deputy CEO
Joanna Krzyżanowska	Deputy CEO
Witold Skrok	Deputy CEO
Barbara Smalska	Deputy CEO
Katarzyna Sułkowska	Deputy CEO

The composition of the Bank's Management Board did not change in the reporting period.

Members of the Bank's Management Board who held shares in the Bank as at 30 June 2016

Shareholder	Number of shares/votes	Par value of shares	Interest in share capital	Share in total number of votes
Wojciech Sobieraj	435 296	4 352 960	0,34%	0,34%
Witold Skrok	178 421	1 784 210	0,14%	0,14%
Katarzyna Sułkowska	47 612	476 120	0,04%	0,04%
Krzysztof Czuba	298	2 980	0,00%	0,00%

In accordance with the notifications dated 2 June 2016 and relating to subscribing to the new issue share rights, the number of the Bank's shares held by Mr Witold Skrok – Deputy CEO of the Bank and Mr Krzysztof Czuba – Deputy CEO of the Bank changed.

Composition of the Bank's Supervisory Board as at 30 June 2016:

Michał Krupiński	**- Chair of the Supervisory Board**
Małgorzata Iwanicz-Drozdowska	- Deputy Chair 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

Composition of the Bank's Supervisory Board as at 31 December 2015:

Helene Zaleski	**- Chair of the Supervisory Board**
Przemysław Dąbrowski	- Deputy Chair of the Supervisory Board
Małgorzata Iwanicz-Drozdowska	- Member of the Supervisory Board
Sławomir Dudzik	- Member of the Supervisory Board
Niels Lundorff	- Member of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Krzysztof Obłój	- Member of the Supervisory Board

The composition of the Supervisory Board changed in the reporting period due to the end of the second four-year term of office of the Supervisory Board members. In view of the above, on 30 March 2016 the Annual General Shareholders' Meeting appointed the following persons to the Supervisory Board for the new (third) term:

- Mr Dariusz Gątarek;
- Ms Małgorzata Iwanicz-Drozdowska;
- Mr Stanisław Ryszard Kaczoruk;
- Mr Michał Krupiński;
- Mr Marek Michalski;
- Mr Sławomir Niemierka;
- Mr Maciej Rapkiewicz;
- Mr Paweł Szymański.

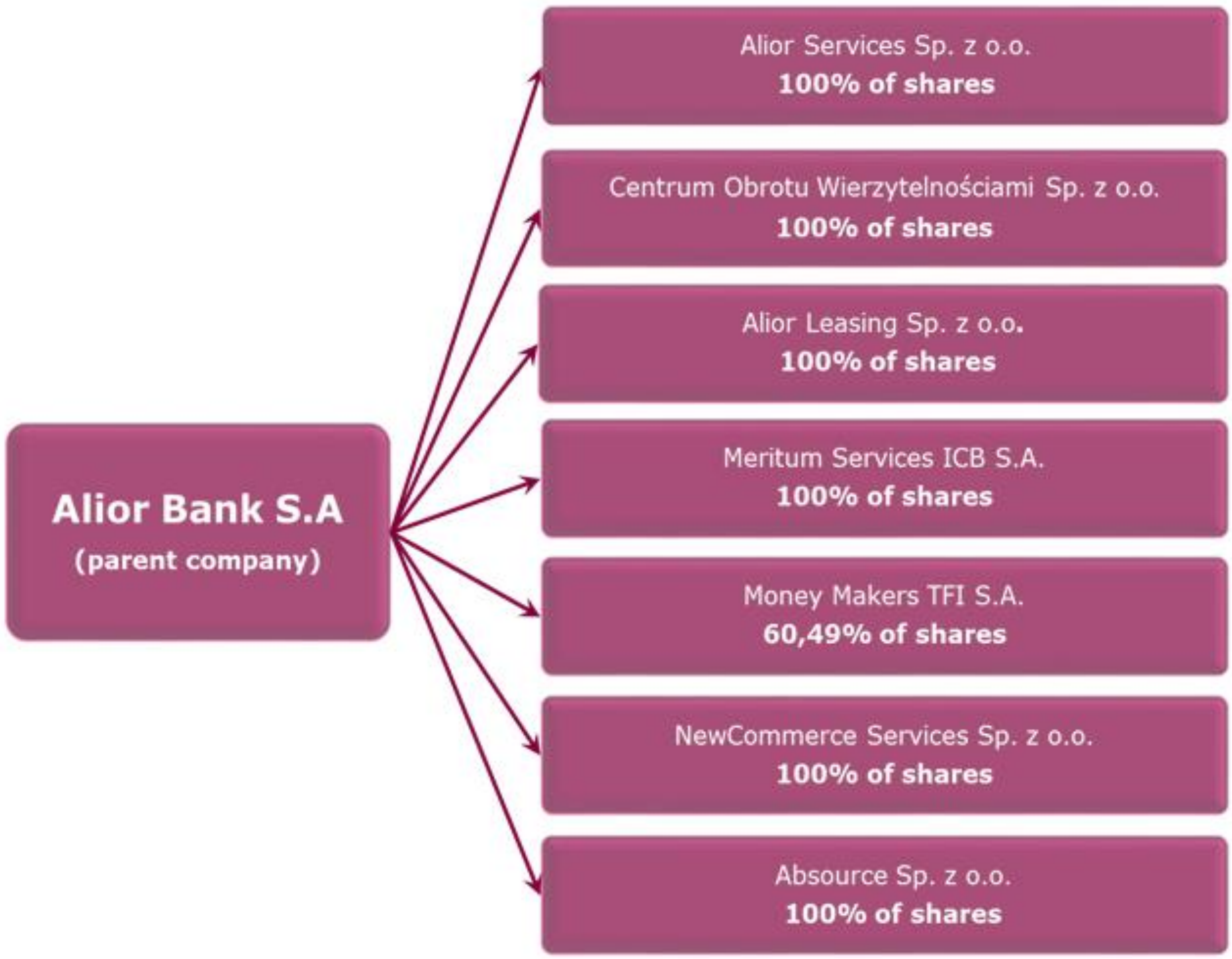
The appointed members of the Bank's Supervisory Board are not engaged in any activities that are competitive to the Bank's activities and are not partners in any competitor partnerships or members of the authorities of any competitor companies or other legal persons.

On 17 June 2016, the Bank's Management Board received a notification pursuant to Art. 160 section 1 of the Act on trading in financial instruments of 29 July 2005 from Ms Prof. Małgorzata Iwanicz – Drozdowska – Member of the Bank's Supervisory Board, with information on the sale, on 16 June 2016, of the Bank's 1,465 shares.

Thus, in accordance with the Bank's Management Board's best knowledge as at 30 June 2016, Members of the Supervisory Board of Alior Bank S.A. do not hold any of the Bank's shares.

1.5 Information about the Alior Bank S.A. Group

The Alior Bank S.A. Group as at 30 June 2016



As at 30 June 2016 the Alior Bank S.A. Group is composed of the following companies: Alior Bank S.A. 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 S.A. Group.

On the basis of the share sale agreement signed on 27 January 2016, the Bank purchased 40 shares in Centrum Obrotu Wierzytelnościami Sp. z o.o. from Alior Services Sp. z o.o. As a result, as at 30 June 2016 Alior Bank S.A. held 100% of the shares in Centrum Obrotu Wierzytelnościami Sp. z o.o.

Moreover, on 31 March 2016 the Articles of Association of Absource Sp. z o.o. were signed, in which Alior Bank held 100% of the shares and 100% of the voting rights at the General Shareholders' Meeting.
The company was registered by the registration court on 4 May 2016.

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.

- **<u>Alior Services Sp. z o.o.:</u>**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Alior Services Sp. z o.o.

Alior Services Sp. z o.o. (formerly Alior Raty Sp. z o.o.) has the following objectives: (i) pursuing opportunities to sell non-financial products and services; (ii) expanding and increasing the attractiveness of the offer for Private Banking customers to strengthen its competitive position. The operations of Alior Services Sp. z o.o. are focused on: (i) seeking out and gaining external partners for cooperation in offering non-banking services; (ii) arranging business relationships for clients and external partners.

- **Centrum Obrotu Wierzytelnościami Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Centrum Obrotu Wierzytelnościami Sp. z o.o.

The core business activities of Centrum Obrotu Wierzytelnościami Sp. z o.o. comprise trading in receivables purchased from Alior Bank. The Company was established in order to optimize the process of selling the Alior Bank's receivables.

- **Alior Leasing Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Alior Leasing Sp. z o.o.

The core business operations of Alior Leasing Sp. z o.o. comprise financing property, plant and equipment through operating leases, finance leases and loans.

- **Meritum Services ICB S.A.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Meritum Services ICB S.A.

The business activities of Meritum Services ICB S.A. 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.

- **Money Makers TFI S.A.:**

Alior Bank holds 60.49% of the shares and 60.49% of the total number of votes at the General Shareholders' Meeting of Money Makers TFI S.A.

Money Makers S.A. is a company formed in 2010, whose activities originally focused on services related to asset management. The Bank's cooperation with the subsidiary Money Makers TFI S.A. covers three areas: asset management (managing portfolios of retail customers / private banking), insurance offers of equity funds, and managing Alior SFIO subfunds. As part of its development plans, the Company transformed from a brokerage house into an investment fund company in early July 2015.

- **NewCommerce Services Sp. z o.o.:**

  Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of NewCommerce Services Sp. z o.o.

  NewCommerce Services Sp. z o.o. will perform tasks associated with selling non-bank products, including granting access to a new generation shopping platform in cooperation with retail partners. The planned commencement of the company's operations in Q4 2016 is closely connected with the changes and development associated with launching a new version of the distribution channel for the non-bank services which the company is planning to provide.

- **Absource Sp. z o.o.**

  On 31 March 2016, a new company was established: Absource Sp. z o.o. Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Absource Sp. z o.o.

  Absource Sp. z o.o. has the following objectives: (i) providing services in the area of IT and computer technologies; (ii) providing advisory services in the area of IT; (iii) software activities. The operations of Absource Sp. z o.o. are focused on providing computer software.

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 10 August 2016.

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 condensed interim consolidated financial statements of the Alior Bank S.A. Group comprise the data of the Bank and its subsidiaries and cover the 6-month period ended 30 June 2016 and the comparatives for the 6-month period ended 30 June 2015 (in the scope of 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 2015 (in the

scope of consolidated statement of financial position and consolidated statement of changes in equity). The condensed interim consolidated financial statements have been prepared in the Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

As at the end of 2015, the Group decided to change the presentation of the net interest income on IRS. Since December 2015, interest income and expenses relating to making and accepting deposits as part of IRS transactions are presented in net interest income/(expenses), while as at the end of the first, second and third quarter of 2015 they were presented in the trading result. The purpose of this change was to ensure the consistency of the presented result with its economic substance. Therefore, in these interim condensed consolidated financial report for the first half of 2016 were restated comparative data for the first six months of 2015 as shown in the following table:

Interim condensed consolidated income statement

Items from the income statement	Data from the inancial statements as at 30.06.2015		Change		Restated data 30.06.2015	
	01.04.2015-30.06.2015	01.01.2015-30.06.2015	01.01.2015-30.06.2015	01.01.2015-30.06.2015	01.01.2015-30.06.2015	01.01.2015-30.06.2015
Interest income	524 991	1 005 832	71 345	146 629	596 336	1 152 461
Interest expense	-151 296	-288 969	-71 630	-145 778	-222 926	-434 747
Net interest income	**373 695**	**716 863**	**-285**	**851**	**373 410**	**717 714**
Trading result	**71 139**	**136 667**	**285**	**-851**	**71 424**	**135 816**

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the first half of 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union as at 30 June 2016.

These financial statements have been prepared in a condensed form and do not include all disclosures required in the annual financial statements.

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 2016 to 30 June 2016, and interim condensed consolidated statement of financial position as at 30 June 2016 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, wherein the tax burden is calculated according to IAS 34.30.c.

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 2016.

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

The following are changes to the published standards and interpretations, which came into force on 1 January 2016:

- Defined contribution plans: Employee contributions – amendments to IAS 19
- Annual improvements to IFRS 2010–2012
- Amendments to IAS 16 and IAS 41 relating to bearer plants
- Amendments to IFRS 11 relating to acquisition of interests in joint operations
- Amendments to IAS 16 and IAS 38 relating to depreciation
- Annual improvements to IFRS 2012–2014
- Amendments to IAS 1
- Amendments to IAS 27 relating to the equity method in separate financial statements

Amendments to published standards and interpretations, which came into force on 1 January 2016 had no impact on these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements do not take into account the amendments to standards and interpretations, which are awaiting for approval by the European Union or have been approved by the European Union, but entered or will enter into force after the end of the reporting period. The scope of these amendments, standards and interpretations has been presented in the consolidated financial statements of Alior Bank for 2015 years.

The following are amendments, standards and interpretations, which were published after the publication date of the consolidated financial statements of Alior Bank for 2015 years, but have not yet been approved by the EU. The impact of implementing these amendments, standards and interpretations on the interim condensed consolidated financial statements of the Bank has not been evaluated yet.

New standards and interpretations, which have been published but are not yet effective

After the date of publication of the annual financial statements the following standards were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but are not yet effective:

- Amendments to IFRS 2 - change introduces, among others guidance on fair value liabilities arising from transactions based on shares settled in cash, guidance on changing the classification of transactions based on shares settled in cash transactions based on shares settled in equity instruments, and guidance on the recognition of employee tax liability related to the transaction based on shares, the change will apply to financial statements prepared after 1 January 2018;

The Management Board does not anticipate that the introduction of the above amendment should have a significant effect on the accounting policies adopted by the Group

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.

(in PLN '000)

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;
- reconciliation of the presentation of incremental costs for management reporting purposes by deducting the amount relating to incremental costs from the commission income presented in business segments;
- 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 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**

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**

(in PLN '000)

Results and volumes by segments for the first six months ended 30 June 2015

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Other	Total Group
External interest income	**481 127**	**173 061**	**66 972**	**721 160**	**-3 446**	**717 714**
external income	633 617	264 492	259 480	1 157 589	-5 128	1 152 461
external expense	-152 490	-91 431	-192 508	-436 429	1 682	-434 747
Internal interest income	**3 634**	**16 073**	**-4 204**	**15 503**	**-15 503**	**0**
internal income	197 926	122 529	442 619	763 074	-14 100	748 974
internal expense	-194 292	-106 456	-446 823	-747 571	-1 403	-748 974
Net interest income	**484 761**	**189 134**	**62 768**	**736 663**	**-18 949**	**717 714**
Fee and commission income	75 645	121 735	686	198 066	62 327	260 393
Fee and commission expense	-43 443	-446	-154	-44 043	-53 241	-97 284
Net fee and commission income	**32 202**	**121 289**	**532**	**154 023**	**9 086**	**163 109**
Dividend income	**0**	**0**	**0**	**0**	**42**	**42**
Trading result	**-188**	**28 278**	**107 726**	**135 816**	**0**	**135 816**
Net gain (realized) on other financial instruments	**42 938**	**59 235**	**-97 864**	**4 309**	**36**	**4 345**
Other operating income	93 546	1 941	0	95 487	-44 440	51 047
Other operating expenses	-4 944	-188	-430	-5 562	-21 781	-27 343
Net other operating income	**88 602**	**1 753**	**-430**	**89 925**	**-66 221**	**23 704**
Total result before impairment losses	**648 315**	**399 689**	**72 732**	**1 120 736**	**-76 006**	**1 044 730**
Impairment losses	**-217 089**	**-78 342**	**0**	**-295 431**	**-8 708**	**-304 139**
Total result after impairment losses	**431 226**	**321 347**	**72 732**	**825 305**	**-84 714**	**740 591**
General administrative expenses	**-393 825**	**-125 324**	**-1 243**	**-520 392**	**0**	**-520 392**
Gross profit (loss)	**37 401**	**196 023**	**71 489**	**304 913**	**-84 714**	**220 199**
Income tax	0	0	0	0	-41 517	-41 517
Net profit (loss)	**37 401**	**196 023**	**71 489**	**304 913**	**-126 231**	**178 682**

Assets	21 860 307	14 357 762	20 453	36 238 522	228 238	**36 466 760**
Liabilities	21 410 660	11 686 581	8 631	33 105 873	15 666	**33 121 539**

(in PLN '000)

Notes to the interim condensed consolidated income statement

4. Net interest income

4.1 Net interest income by entity	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest income	**1 356 990**	**1 152 461**
financial sector	216 443	198 838
non-financial sector	1 094 341	920 966
central and local government institutions	46 206	32 657
Interest expense	**-500 323**	**-434 747**
financial sector	-257 437	-238 691
non-financial sector	-238 840	-194 331
central and local government institutions	-4 046	-1 725
Net interest income	**856 667**	**717 714**

4.2 Net interest income by product	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest income	**1 356 990**	**1 152 461**
Interest income from financial instruments measured at amortized cost including the effective interest rate method	1 125 664	938 923
term deposits	828	0
loans	1 048 799	879 067
financial assets available for sale	58 284	44 354
receivables acquired	11 889	13 864
other	5 864	1 638
Other interest income	231 326	213 538
current accounts	8 548	7 549
overnight deposits	334	600
derivatives	222 444	205 389
Interest expense	**-500 323**	**-434 747**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-282 554	-228 844
term deposits	-213 775	-169 037
repo transactions in securities	-6 099	-10 009
cash deposits	-2 240	-636
own issue	-59 052	-47 673
other	-1 388	-1 489
Other interest expense	-217 769	-205 903
current deposits	-16 012	-21 270
hedging derivatives	-201 757	-184 633
Net interest income	**856 667**	**717 714**

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

5. Net fee and commission income

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Fee and commission income	**275 104**	**260 393**
brokerage commissions	30 429	33 151
payment cards	49 155	41 893

(in PLN '000)

revenue from bancassurance activity	49 959	45 001
loans and advances	27 872	34 373
accounts maintenance	51 673	39 848
transfers	18 278	17 862
remittances and withdrawals services	10 938	10 227
acquired receivables	4 068	6 662
guarantees, letters of credit, collections, promises	7 213	7 432
other commissions	25 519	23 944
Fee and commission expense	**-111 685**	**-97 284**
brokerage commissions	-1 512	-1 842
costs of card transactions and ATM , including costs of payment card issue	-32 865	-28 075
insurance of bank products	-12 294	-12 308
commissions for ATM sharing	-10 351	-11 318
fees paid under service agreements	-5 212	-4 752
compensation and awards to customers	-11 412	-8 242
commissions paid to agents	-12 574	-9 690
assistance services	-2 007	-2 110
costs of customers acquisition	-3 965	-2 793
other commissions	-19 493	-16 154
Net fee and commission income	**163 419**	**163 109**

The Group does not engage in trust activities.

6. Trading result

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
FX transactions	106 719	103 351
Interest rate transactions	22 546	32 703
Ineffective part of hedge accounting	184	-225
Other instruments	1 687	-13
Trading result	**131 136**	**135 816**

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.

7. Net result realized on other financial instruments

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Available-for-sale financial assets	20 260	4 574
Own issue	505	-229
repurchase income	542	259
repurchase losses	-37	-488
Investment certificates	1	0
Net result realized on other financial instruments	**20 766**	**4 345**

(in PLN '000)

Realized net result from financial assets available for sale generated in the first half of 2016 was mainly from active management of a portfolio of liquid securities in its primary role of protecting the liquidity needs of the Bank.

8. Net other operating income

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Other operating income from:	**33 720**	**51 047**
management of third party assets	6 687	3 248
received compensations, fines and penalties	41	196
income from contracts with business partners	2 194	9 676
sale of debt	0	8 109
reimbursement of costs of claim enforcement	10 925	10 769
reimbursement of fees by customers	8 015	8 296
received compensations	1 334	263
other	4 524	10 490
Other operating expenses due to:	**-23 062**	**-27 343**
management of third party assets	-749	-906
paid compensations, fines and penalties	-426	-2 002
awards given to customers	-486	-270
paid compensations, settlements, complaints	-2 655	-12 309
fees and costs of claim enforcement	-5 080	-4 841
other	-13 666	-7 015
Net other operating income and expense	**10 658**	**23 704**

9. General administrative expenses

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Payroll costs	**-304 123**	**-278 529**
remuneration due to employment contracts	-255 064	-226 021
remuneration surcharges	-45 688	-44 078
share-based payments	0	-1 754
other	-3 371	-6 676
General and administrative costs	**-207 561**	**-199 099**
IT costs	-24 469	-21 065
lease and building maintenance expenses	-64 105	-72 998
marketing costs	-21 588	-25 401
training costs	-10 436	-4 770
cost of advisory services	-19 821	-10 254
costs of Banking Guarantee Fund	-37 302	-29 675
lease of property, plant and equipment and intangible assets	-1 884	-1 591
costs of telecommunications services	-6 348	-7 986
external services	-12 640	-13 016
other	-8 968	-12 343
Amortization and depreciation	**-47 503**	**-39 888**
property, plant and equipment	-28 377	-23 379
intangible assets	-19 126	-16 509
Taxes and fees	**-4 642**	**-2 876**
Total general administrative expenses	**-563 829**	**-520 392**

Since 1 January 2015, the financial statements (including interim financial statements) have been prepared taking into account Interpretation no. 21 issued by the International Financial Reporting Interpretations Committee. However, there were certain doubts as to the manner of application of this Interpretation to the mandatory payments made by banks to the Bank

(in PLN '000)

Guarantee Fund (BGF). For this reason, the Polish Financial Supervision Authority issued a statement (of 12 February 2015), confirmed by the statement of the Ministry of Finance (of 11 February 2015), recommending that the banks spread the annual payments to the BGF over time (over a period of one year). This approach was consistent with the solution applied by the Group in previous periods. The total cost of the mandatory and prudential payments to the BGF in 2015 amounted to PLN 60,936 thousand, including PLN 29,675 thousand recognized in the costs of the period ended 30 June 2015.
The amendment to the BGF Act introduced in March 2016 changed the method of calculation and payment of the mandatory BGF contributions to the quarterly cycle, starting since 1st quarter of 2016. From 2016, the Bank recognizes the charges in accordance with IFRIC 21, as a result, the costs for the period ended 30 June 2016 included mandatory fees charged for the first half of 2016 in the amount of PLN 37,302 thousand.

10. Net impairment allowance and write-downs

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Impairment losses on impaired loans and advances to customers	-319 579	-310 961
financial sector	-1 206	-3 013
non-financial sector	-318 373	-307 948
retail customers	-208 195	-208 287
business customers	-110 178	-99 661
Debt securities	-6 974	0
IBNR for customers without impairment losses	-8 676	13 993
financial sector	656	137
non-financial sector	-9 332	13 856
retail customers	-13 639	13 445
business customers	4 307	411
Off-balance reserve	-1 386	961
Property, plant and equipment and intangible assets	-12 242	-8 132
Net impairment allowance and write-downs	**-348 857**	**-304 139**

11. Corporate income tax

11.1 Presented in the income statement	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Current tax	119 941	68 969
current year	119 941	69 008
prior year tax adjustment	0	-39
Deferred tax	-64 613	-27 452
origination and reversal of temporary differences	-64 613	-27 452
Accounting tax recognized in the income statement	**55 328**	**41 517**

11.2 Effective tax rate calculation	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Profit before tax	**217 064**	**220 199**
Income tax at 19%	**41 241**	**41 839**
Non-tax deductible expenses	**15 271**	**7 242**
Representation costs	85	77
State Fund for Rehabilitation of Persons with Disabilities	564	572

(in PLN '000)

Impairment losses on loans in the part not covered with deferred tax	41	532
Prudential charge to BFG	2 270	2 860
Bank tax	10 057	0
Provisions for management options		333
Other	2 254	2 868
Costs of provisions for management options	0	333
Non-taxable revenues	**-1 296**	**-6 140**
Release of loan impairment allowances in the part not covered with the deferred tax	-2	-71
Other	-1 294	-6 069
Recognition of tax loss	**112**	**252**
Other	**0**	**-1 676**
Accounting tax recognized in the income statement	**55 328**	**41 517**
Effective tax rate	**24,99%**	**18,85%**

12. Earnings per share

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Net profit	161 736	178 682
Weighted average number of ordinary shares	74 882 473	71 468 543
Share options (number) - adjusting instrument	2 979 272	3 139 189
Adjusted weighted average number of shares	77 861 745	74 607 732
Net earnings per ordinary share (PLN)	**2,16**	**2,50**
Dilluted earnings per one share	**2,08**	**2,39**

Notes to the interim condensed consolidated statement of financial position

13. Cash and balances with the Central Bank

	As at 30.06.2016	As at 31.12.2015
Current account with the Central Bank	533 465	1 559 981
Cash	192 406	190 154
Cash and balances with the central bank	**725 871**	**1 750 135**

14. Available-for-sale financial assets

14.1 By type	As at 30.06.2016	As at 31.12.2015
Debt instruments	**8 488 621**	**4 239 445**
issued by the State Treasury	5 891 012	3 773 380
T-bonds	5 891 012	3 773 380
issued by monetary institutions	2 145 128	0
Eurobonds	45 128	0
money bills	2 100 000	0
issued by other financial institutions	156 917	176 995
bonds	60 603	60 486
Eurobonds	96 314	116 509
issued by companies	295 564	289 070
bonds	295 564	289 070
Equity instruments	16 311	13 674
Available-for-sale financial assets	**8 504 932**	**4 253 119**

(in PLN '000)

14.2 By maturity	As at 30.06.2016	As at 31.12.2015
without set maturity date	16 311	13 675
≤ 1M	2 212 003	0
> 1M ≤ 3M	16 979	17 088
> 3M ≤ 6M	594 014	254 486
> 6M ≤ 1Y	1 444 112	366 016
> 1Y ≤ 2Y	1 077 696	1 134 855
> 2Y ≤ 5Y	2 247 684	1 940 564
> 5Y ≤ 10Y	896 133	526 435
Available-for-sale financial assets	**8 504 932**	**4 253 119**

14.3 Impairment allowance on debt instruments	As at 30.06.2016		As at 31.12.2015	
	Gross amount	Impairment allowance	Gross amount	Impairment allowance
Bonds issued by companies	93 556	21 446	101 122	14 472

14.4 Change in the balance of debt instruments impairment allowances	As at 30.06.2016	As at 31.06.2015
Opening balance	14 472	6 491
Changes during the year:	6 974	0
Increases	6 981	0
Decreases	-7	0
Impairment allowances at the end of the period	**21 446**	**6 491**

The schedules below show the hierarchy of the measurement methods of available-for-sale financial assets measured at fair value as at 30 June 2016 and comparative data as at 31 December 2015.

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.

(in PLN '000)

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 quarter of 2016, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 112 thousand.

In the period from 1 January to 30 June 2016 there were no transfers between levels of the hierarchy.

14.5 Fair value	As at 30.06.2016	As at 31.12.2015
Level 1	**5 987 326**	**3 889 889**
T-bonds	5 891 012	3 773 380
Other bonds	96 314	116 509
Level 2	**2 100 000**	**0**
Money bills	2 100 000	0
Level 3	**417 606**	**363 230**
Equity instruments	16 311	13 674
Other bonds	401 295	349 556
Valuation of available for sale financial assets by level	**8 504 932**	**4 253 119**

14.6 Movements on financial assets available for sale classified as level 3	As at 30.06.2016	As at 30.06.2015
Opening balance	**363 230**	**374 601**
Increases, including	**86 872**	**49 326**
Acquisition	86 837	48 261
Fair value adjustment	0	420
Foreign exchange differences	35	645
Decreases, including	**-32 496**	**-42 760**
Sale	-23 050	-42 550
Other changes recognised in income statement	-9 253	-210
Fair value adjustment	-193	0
Financial assets available for sale classified as level 3 at the end of the period	**417 606**	**381 167**

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.

15. Loans and advances to customers

15.1 By type	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
Working capital facility	165 482	167 635
Consumer loans	9 435 666	8 699 017
Consumer finance loans	959 226	748 948
Loans for purchase of securities	124 393	119 069
Credit card borrowings loans	237 258	225 629

(in PLN '000)

Loans for residential real estate	7 631 468	6 717 911
Other mortgage loans	808 832	896 008
Other receivables	21 462	21 097
Corporate segment	**14 752 632**	**13 311 743**
Working capital facility	7 791 139	7 308 603
Car loans	51 854	70 394
Investment loans	6 103 213	5 481 578
Acquired receivables	533 620	376 403
Lease receivables	238 910	52 330
Other receivables	33 896	22 435
Loans and advances to customers	**34 136 419**	**30 907 057**

15.2 By gross amounts and carrying amounts	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
Loans for residential real estate	7 631 468	6 717 911
unimpaired	7 496 826	6 593 746
impaired	200 075	189 075
IBNR	-3 138	-4 811
Impairment allowance	-62 295	-60 099
Consumer finance loans	959 226	748 947
unimpaired	946 766	737 841
impaired	55 249	50 221
IBNR	-1 764	-1 456
Impairment allowance	-41 025	-37 659
Other retail loans	10 793 093	10 128 456
unimpaired	10 368 422	9 732 180
impaired	1 646 794	1 378 919
IBNR	-136 032	-120 367
Impairment allowance	-1 086 091	-862 276
Corporate segment	**14 752 632**	**13 311 743**
unimpaired	13 981 800	12 734 442
impaired	1 734 292	1 428 322
IBNR	-34 183	-39 589
Impairment allowance	-929 277	-811 432
Loans and advances to customers	**34 136 419**	**30 907 057**

15.3 Receivables from customers impaired	As at 30.06.2016	As at 31.12.2015
Receivables from customers individually assessed	**631 051**	**546 026**
Retail segment	**1 040**	**9 512**
Amounts due from customers	9 247	87 157
Impairment allowance	-8 207	-77 645
Corporate segment	**630 011**	**536 514**
Amounts due from customers	1 271 587	1 095 419
Impairment allowance	-641 576	-558 905
Receivables from customers collectively assessed	**886 671**	**729 045**
Retail segment	**711 667**	**648 669**

(in PLN '000)

Amounts due from customers	1 892 871	1 531 058
Impairment allowance	-1 181 204	-882 389
Corporate segment	**175 004**	**80 376**
Amounts due from customers	462 705	332 903
Impairment allowance	-287 701	-252 527
Receivables from customers impaired	**1 517 722**	**1 275 071**

15.4 Change in the balance of receivables impairment allowances and IBNR	As at 30.06.2016	As at 30.06.2015
Opening balance	1 937 689	1 289 770
Changes due to the acquisition of a subsidiary	0	415 028
Changes during the year:	328 255	296 968
Increases	949 074	1 309 104
Retail segment	710 043	1 086 879
Corporate segment	239 031	222 225
Decreases	-620 819	-1 012 136
Retail segment	-488 209	-892 037
Corporate segment	-132 610	-120 099
Transfer to costs	-3 944	-408 165
Other changes including SKOK acquisition	31 805	417
Impairment allowances and IBNR at the end of the period	**2 293 805**	**1 594 018**

The provision for losses incurred but not reported (IBNR) amounted to: PLN 175,117 thousand as at 30 June 2016 and PLN 166,223 thousand as at 31 December 2015.

15.5 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
≤ 1M	2 147 100	2 013 348
> 1M ≤ 3M	423 784	389 891
> 3M ≤ 6M	660 363	547 084
> 6M ≤ 1Y	1 069 223	1 007 076
>1Y ≤ 2Y	1 696 574	1 534 368
>2Y ≤ 5Y	3 788 598	3 473 595
>5Y ≤ 10Y	4 047 428	3 554 046
>10Y ≤ 20Y	3 123 366	2 819 119
>20Y	2 427 351	2 256 787
Corporate segment	**14 752 632**	**13 311 743**
≤ 1M	5 762 058	4 759 780
> 1M ≤ 3M	660 450	761 825
> 3M ≤ 6M	636 762	598 804
> 6M ≤ 1Y	987 319	1 143 844
>1Y ≤ 2Y	1 251 557	1 308 770
>2Y ≤ 5Y	2 729 700	2 300 565
>5Y ≤ 10Y	1 960 573	1 822 681
>10Y ≤ 20Y	764 213	615 474
Loans and advances to customers	**34 136 419**	**30 907 057**

15.6 By currency	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**

(in PLN '000)

PLN	17 989 362	16 343 892
EUR	1 029 100	933 316
GBP	161 437	124 376
USD	26 887	20 706
CHF	176 998	173 018
Other	3	6
Corporate segment	**14 752 632**	**13 311 743**
PLN	11 826 625	10 652 190
EUR	2 786 291	2 559 286
GBP	3 100	5 210
USD	105 276	61 924
CHF	31 340	33 133
Total receivables	**34 136 419**	**30 907 057**

Loans in CHF comprised 0.6% of the total amount of loan receivables as at 30 June 2016, as at 31 December 2015 - 0.7%.

15.7 Ten largest credit exposures	Currency	As at 30.06.2016
Company 1	EUR,PLN	259 766
Company 2	EUR,PLN	246 228
Company 3	EUR	240 555
Company 4	PLN	184 147
Company 5	EUR	146 099
Company 6	EUR,PLN	146 052
Company 7	EUR,PLN	145 219
Company 8	PLN	127 415
Company 9	PLN	119 931
Company 10	EUR	115 409

15.8 Ten largest credit exposures	Currency	As at 31.12.2015
Company 1	EUR,PLN	242 414
Company 2	EUR	234 544
Company 3	PLN	149 776
Company 4	EUR	144 458
Company 5	PLN	129 233
Company 6	PLN	123 952
Company 7	PLN	120 873
Company 8	EUR	113 248
Company 9	PLN	112 744
Company 10	PLN	97 351

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

16. Amounts due from banks

16.1 By type	As at 30.06.2016	As at 31.12.2015
Current accounts	166 525	339 444
Overnight deposits (O/N)	55 816	0

(in PLN '000)

Term deposits	14 109	115 538
Reverse Repo	912 499	0
Deposits as derivative transactions (ISDA) collateral	171 871	171 406
Other	15 925	18 941
Amounts due from banks	**1 336 745**	**645 329**

16.2 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
≤ 1M	1 335 045	643 159
> 1M ≤ 3M	1 700	2 065
> 3M ≤ 6M	0	105
Amounts due from banks	**1 336 745**	**645 329**

16.3 By currency	As at 30.06.2016	As at 31.12.2015
PLN	930 840	28 599
EUR	232 474	126 831
GBP	34 488	86 572
USD	84 760	183 566
CHF	10 536	75 986
Other currencies	43 647	143 775
Amounts due from banks	**1 336 745**	**645 329**

Forward repo/reverse repo transactions are concluded by the Group to optimize current liquidity management; therefore, they are classified exclusively to the banking portfolio. Occasional transactions appearing in the trading book result from risk-free arbitrage. Repo and reverse repo transactions are short-term and mature not later than within one month; they are concluded mainly in PLN, or, much less frequently, in EUR and USD. Net balances of repo and reverse repo transactions which mature within one month are included in the Group's liquidity buffer (liquid assets).

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 30.06.2016	As at 31.12.2015
Sundry debtors	**262 467**	**369 816**
Other settlements	84 769	91 423
Receivables related to the sale of goods and services (including insurance)	76 563	117 761
Guarantee deposits	12 039	11 942
Settlements of payment cards	89 096	148 690
Deferred costs	**42 016**	**34 702**
Settlements of rental charges and utilities	2 163	1 484
Maintenance and support of systems, servicing of plant and equipment	9 390	4 330
Other deferred costs	30 463	28 888
BFG receivables due to SKOK acquisition	62 065	0

(in PLN '000)

Settlements of VAT	**26 045**	**20 718**
Other assets (brutto)	**392 593**	**425 236**
Impairment allowances	-30 385	-28 689
Other assets (netto)	**362 208**	**396 547**
including financial assets	324 532	369 816

17.2 Change in the balance of other assets impairment allowances	As at 30.06.2016	As at 30.06.2015
Opening balance	28 689	7 204
Change due to purchase of subordinate entity	0	11 453
Changes during the year:	1 696	11 779
Increases	1 197	11 918
Decreases	499	-139
Impairment allowances at the end of the period	**30 385**	**30 436**

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 30.06.2016	As at 31.12.2015
Current deposits	13 951 907	12 476 267
Term deposits	21 331 967	18 535 716
Own issue of bank securities	2 338 098	2 259 230
Other liabilities	367 957	392 329
Total amounts due to customers	**37 989 929**	**33 663 542**

18.2 By customer type and segment	As at 30.06.2016	As at 31.12.2015
Retail segment	**24 557 685**	**21 409 075**
Current deposits	9 895 455	8 485 256
Term deposits	14 356 779	12 666 033
Banking securities issued	83 652	54 280
Other liabilities	221 799	203 506
Corporate segment	**13 432 244**	**12 254 467**
Current deposits	4 056 452	3 991 011
Term deposits	6 975 188	5 869 683
Banking securities issued	2 254 446	2 204 950
Other liabilities	146 158	188 823
Total amounts due to customers	**37 989 929**	**33 663 542**

18.3 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
Retail segment	**24 557 685**	**21 409 075**
≤ 1M	13 326 041	11 358 478
> 1M ≤ 3M	4 214 973	4 296 204
> 3M ≤ 1Y	5 237 482	5 122 282
> 1Y ≤ 5Y	1 769 510	622 687
>5Y	9 679	9 424
Corporate segment	**13 432 244**	**12 254 467**
≤ 1M	8 249 934	7 719 393
> 1M ≤ 3M	1 599 142	1 342 632
> 3M ≤ 1Y	1 782 663	1 326 868
> 1Y ≤ 5Y	1 724 310	1 858 131

(in PLN '000)

>5Y	76 195	7 443
Total amounts due to customers	**37 989 929**	**33 663 542**

18.4 By currency	As at 30.06.2016	As at 31.12.2015
Retail segment	**24 557 685**	**21 409 075**
PLN	21 046 373	18 622 111
EUR	1 779 339	1 356 917
GBP	330 775	236 508
USD	1 207 466	1 010 704
CHF	86 221	70 709
Other	107 511	112 126
Corporate segment	**13 432 244**	**12 254 467**
PLN	12 104 822	10 958 835
EUR	936 730	966 035
GBP	63 776	42 636
USD	259 736	255 253
CHF	11 212	8 159
Other	55 968	23 549
Total amounts due to customers	**37 989 929**	**33 663 542**

18.5.1 Ten largest depositors (without banks)	Currency	As at 30.06.2016
Company 1	PLN	300 132
Company 2	EUR, PLN, USD	215 266
Company 3	EUR, PLN, USD	206 594
Company 4	PLN	160 008
Company 5	PLN	120 083
Company 6	PLN	95 523
Company 7	PLN, USD	95 133
Company 8	PLN	79 010
Company 9	EUR, PLN, USD	75 148
Company 10	PLN, USD	74 370

18.5.2 Ten largest depositors (without banks)	Currency	As at 31.12.2015
Company 1	PLN, EUR, USD	212 810
Company 2	PLN	203 355
Company 3	PLN, EUR, USD	175 389
Company 4	PLN	101 339
Company 5	PLN	94 042
Company 6	PLN, USD	92 645
Company 7	PLN	88 692
Company 8	PLN	72 845
Company 9	PLN, EUR, USD	72 606
Company 10	PLN	69 078

In the first half of 2016, the Group issued banking securities amounting to PLN 599,344 thousand; securities purchased before maturity amounted to PLN 94,520 thousand.
In 2015, the Group issued banking securities amounting to PLN 1,485,767 thousand; securities purchased before maturity amounted to PLN 208,591 thousand.

19. Amounts due to banks

19.1 By type	As at 30.06.2016	As at 31.12.2015
Current deposits	11 011	11 012
Overnights	200 008	30 701
Term deposits	47 775	197 826

(in PLN '000)

Banking securities issued	20 002	32 666
Credit received	177	0
Other liabilities	141 376	203 262
Repo	596 428	575 561
Total amounts due to banks	**1 016 777**	**1 051 028**

19.2 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
≤ 1M	996 553	918 074
> 1M ≤ 3M	0	100 288
> 3M ≤ 1Y	20 002	0
> 1Y ≤ 5Y	0	32 666
>5Y	222	0
Total amounts due to banks	**1 016 777**	**1 051 028**

19.3 By currency	As at 30.06.2016	As at 31.12.2015
PLN	919 274	830 987
EUR	22 892	31 401
USD	74 611	178 225
GBP	0	10 415
Total amounts due to banks	**1 016 777**	**1 051 028**

20. Provisions

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 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 at 30 June 2016	**3 362**	**1 268**	**6 921**	**11 551**

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 1 January 2015	2 513	824	4 974	8 311
Changes due to the acquisition of a subsidiary	706	54	0	760
Provisions recorded	3 617	1 312	9 551	14 480
Provisions released	-105	-108	-8 991	-9 204
Provisions utilized	-3 399	0	0	-3 399
Other changes	-113	0	-22	-135
As at 31 December 2015	**3 219**	**2 082**	**5 512**	**10 813**

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Provision for restructuring	Total provisions
As at 1 January 2015	2 513	824	4 974	0	8 311
Changes due to the acquisition of a subsidiary	711	54	0	0	765
Provisions recorded	3 138	6	4 139	5 561	12 844
Provisions released	-67	0	-5 100	0	-5 167
Provisions utilized	-2 704	0	0	0	-2 704
Other changes	0	0	-35	0	-35
As at 30 June 2015	**3 591**	**884**	**3 978**	**5 561**	**14 014**

(in PLN '000)

The provision for old age 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 old age 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.

21. Other liabilities

	As at 30.06.2016	As at 31.12.2015
Interbank settlements	261 127	183 574
Taxation, customs duty, social and health insurance payables and other public settlements	28 699	25 962
Liabilities in respect of payment card settlements	4 923	4 986
Other settlements	71 571	94 953
including settlements with insurers	27 027	66 941
Settlements of banking certificates of deposits	104 096	680
Accruals	78 924	54 421
Income received in advance	69 181	50 356
Provision for bancassurance resignations	81 086	94 045
Provision for employee benefits	33 142	24 187
Other liabilities	6 167	2 110
Total other liabilities	**738 916**	**535 274**
including financial liabilities	441 717	284 193

Settlements with insurers comprise insurance premiums relating to the cover granted by the Group to its Customers under one of the group insurance contracts (concluded by the Group with insurers and offered to its Customers).
There were no such liabilities in respect of which the Group did not settle its payment liabilities resulting from the contracts concluded as at 30 June 2016 and 31 December 2015.

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 2016 and 31 December 2015. 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).

(in PLN '000)

22.1 Derivative financial instruments (nominal value)	As at 30.06.2016	As at 31.12.2015
Interest rate transactions	19 006 864	20 013 372
SWAP	17 263 076	17 249 149
FRA	0	1 000 000
Cap Floor Options	1 743 788	1 764 223
Foreign exchange transactions	7 584 596	6 922 921
FX swap	2 373 791	1 535 293
FX forward	1 851 098	1 881 094
CIRS	2 308 967	2 639 757
FX options	1 050 740	866 777
Other options	4 841 442	4 312 272
Other instruments	558 495	618 590
Derivative financial instruments (nominal value)	**31 991 397**	**31 867 155**

22.2 Financial assets held for trading	As at 30.06.2016	As at 31.12.2015
Shares	4 592	1 335
Bonds	223	311
Certificates	1 588	1 610
Interest rate transactions	214 580	198 578
SWAP	210 396	193 522
Cap Floor Options	4 184	5 056
Foreign exchange transactions	154 074	132 012
FX swap	35 264	14 713
FX forward	60 386	49 768
CIRS	48 382	58 407
FX options	10 042	9 124
Other options	9 685	34 555
Other instruments	17 745	22 168
Financial assets held for trading	**402 487**	**390 569**

22.3 By maturity	As at 30.06.2016	As at 31.12.2015
Without specified maturity date	6 403	2 953
≤ 1W	23 741	4 266
> 1W ≤ 1M	41 027	35 643
> 1M ≤ 3M	33 382	24 146
> 3M ≤ 6M	24 368	38 524
> 6M ≤ 1Y	18 580	46 351
> 1Y ≤ 2Y	74 943	67 000
> 2Y ≤ 5Y	142 446	131 639
> 5Y ≤ 10Y	37 597	40 047
Financial assets held for trading	**402 487**	**390 569**

22.4 Financial liabilities held for trading	As at 30.06.2016	As at 31.12.2015
Interest rate transactions	189 697	194 355
SWAP	185 505	188 999
FRA	0	289
Cap Floor Options	4 192	5 067
Foreign exchange transactions	82 514	61 849

(in PLN '000)

FX swap	6 818	1 917
FX forward	8 672	7 747
CIRS	56 920	43 058
FX options	10 104	9 127
Other options	9 683	34 555
Other instruments	17 002	19 421
Financial liabilities held for trading	**298 896**	**310 180**

22.5 By maturity	As at 30.06.2016	As at 31.12.2015
≤ 1W	4 403	1 828
> 1W ≤ 1M	20 816	9 134
> 1M ≤ 3M	27 225	17 125
> 3M ≤ 6M	33 376	54 686
> 6M ≤ 1Y	19 577	31 535
> 1Y ≤ 2Y	46 714	47 421
> 2Y ≤ 5Y	110 212	120 159
> 5Y ≤ 10Y	36 573	28 292
Financial liabilities held for trading	**298 896**	**310 180**

The schedule below shows the hierarchy of measurement methods of financial instruments held for trading measured at fair value as at 30 June 2016 and comparative data as at 31 December 2015.

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 of this level include options embedded in deposit certificates issued by the Bank and options concluded on the interbank market to hedge embedded option positions. The fair value is determined on the basis of an internal model in consideration of both observable parameters (e.g. price of the base instrument, quotations from the secondary option market), and non-observable parameters (e.g. fluctuations, correlations between base instruments in options based on baskets of instruments). Model parameters are set on the basis of statistical analysis. As the market risk position in respect of the specified options is in exact opposition, changes in the adopted model assumptions have no impact on changes in the fair value of the Bank’s position in respect of level 3 option transactions. As at 30 June 2016, the change in the valuation of options on the financial assets side due to a 1% increase in the price of the base instrument would amount to PLN 4.8 million and it will be offset exactly by the change in the valuation of the option on the financial liabilities side.
In the period from 1 January to 30 June 2016, there were no movements of financial instruments between the fair value hierarchy levels.

(in PLN '000)

22.6 Valuation of financial assets	As at 30.06.2016	As at 31.12.2015
Level 1	17 644	13 061
Shares	4 592	1 335
Bonds	223	311
Certificates	1 588	1 610
Other instruments	11 241	9 805
Level 2	375 158	342 953
SWAP	210 396	193 522
Cap Floor Options	4 184	5 056
FX swap	35 264	14 713
FX forward	60 386	49 768
CIRS	48 382	58 407
FX options	10 042	9 124
Other instruments	6 504	12 363
Level 3	9 685	34 555
Other options	9 685	34 555
Total financial assets	**402 487**	**390 569**

22.7 Movements on financial assets classified as level 3	As at 30.06.2016	As at 30.06.2015
Opening balance	**34 555**	**81 198**
Increases, including	**36 069**	79 852
Valuation of derivatives	29 306	47 824
Derivatives transactions	6 763	32 028
Decreases, including	**-60 939**	**-82 958**
Valuation	Fair value-49 237	-69 396
Settlement / buyout	-11 702	-13 562
Financial assets classified as level 3 at the end of the period	**9 685**	**78 092**

22.8 Valuation of financial liabilities	As at 30.06.2016	As at 31.12.2015
Level 1	**10 160**	**15 716**
Other instruments	10 160	15 716
Level 2	**279 053**	**259 909**
SWAP	185 505	188 999
FRA	0	289
Cap Floor Options	4 192	5 067
FX swap	6 818	1 917
FX forward	8 672	7 747
CIRS	56 920	43 058
FX options	10 104	9 127
Other instruments	6 842	3 705
Level 3	**9 683**	**34 555**
Other options	9 683	34 555
Total financial liabilities	**298 896**	**310 180**

(in PLN '000)

22.9 Movements on financial liabilities classified as level 3	As at 30.06.2016	As at 30.06.2015
Opening balance	34 555	81 198
Increases, including	36 067	79 872
Valuation	29 304	47 844
Transactions made	6 763	32 028
Decreases, including	-60 939	-82 978
Valuation	-49 237	-69 416
Settlement / buyout	-11 702	-13 562
Financial liabilities classified as level 3 at the end of the period	**9 683**	**78 092**

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 30.06.2016	As at 31.12.2015
Interest rate transactions-IRS	6 445 000	10 795 000
Hedging instruments (nominal value)	**6 445 000**	**10 795 000**

23.2. Financial assets held for trading-hedging instruments	As at 30.06.2016	As at 31.12.2015
Level 2	53 661	139 578
Interest rate transactions-IRS	53 661	139 578
Financial assets held for trading-hedging instruments	**53 661**	**139 578**

23.3. By maturity	As at 30.06.2016	As at 31.12.2015
> 1W ≤ 1M	4 718	0
> 1M ≤ 3M	4 471	2 608
> 3M ≤ 6M	4 574	62 334
> 6M ≤ 1Y	13 512	3 262
> 1Y ≤ 2Y	20 090	47 062
> 2Y ≤ 5Y	6 296	24 312
Financial assets held for trading-hedging instruments	**53 661**	**139 578**

(in PLN '000)

23.4 Nominal value of hedging instruments by maturity

Instrument type	Nominal value as at 30 June 2016				
	within 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	Total
IRS PLN FIXED - FLOAT	300 000	250 000	2 685 000	3 210 000	6 445 000

Instrument type	Nominal value as at 31 December 2015				
	within 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	Total
IRS PLN FIXED - FLOAT	-	100 000	6 060 000	4 635 000	10 795 000

24. Subordinated liabilities

On 15 Novem ber 2011, the Polish Financial Supervision Authority granted its permission to include the subordinated loan of EUR 10 million, received on 12 October 2011 by Alior Bank S.A. from Erste Group Bank AG, in Tier 2 capital of Alior Bank S.A. The loan agreement was concluded for a period of 8 years, and its interest rate is based on EURIBOR 3M. The loan may be repaid early with a 30-day prior written notice. As at 30 June 2016 and 31 December 2015, the carrying amount of the loan amounted to PLN 44,442 thousand and PLN 42,818 thousand respectively.

On 26 September 2014, the Bank issued F-series bonds with the total nominal value of PLN 321,700 thousand. The bonds were issued for a period of 10 years (the redemption date is 26 September 2024), and they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 June 2016, 31 December 2015 amounted to PLN 325,872 thousand and PLN 325,924 thousand, respectively. On 28 October 2014, the Bank received PFSA consent for including the bonds in Tier 2 capital II.

On 31 March 2015, the Bank issued G-series bonds with the 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 they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 June 2016 and 31 December 2015 amounted to PLN 195,499 thousand and PLN 195,555 thousand, respectively.

On 4 December 2015, the Bank issued I and I1 series bonds with the total nominal value of PLN 183,350 thousand. The bonds were issued for a period of 6 years (the redemption date is 06 December 2021), and they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 June 2016 and 31 December 2015 amounted to PLN 184,041 thousand and PLN 184,074 thousand, respectively.

As a result of the business combination with Meritum Bank, the subordinated bonds portfolio contains bonds issued by Meritum Bank:

- bonds with the total nominal value of PLN 67,200 thousand issued on 29 April 2013 as part of the Meritum Bank Programme for Issue of Subordinated Bonds for a period of 8 years (the redemption date is 29 April 2021). The bonds bear interest based on WIBOR 6M. On 28 June 2013, the PFSA granted its consent for including these bonds in the Bank's Tier 2 capital. The

(in PLN '000)

carrying amount of the bonds as at 30 June 2016 and 31 December 2015 amounted to PLN 67,639 thousand and PLN 67,616 thousand, respectively.
- bonds 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 bonds bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 June 2016 and 31 December 2015 amounted to PLN 80,333 thousand and PLN 80,311 thousand, respectively.

On 4 February 2016, the Bank issued EUR001 series bonds with the total par value of EUR 10 million. The bonds were issued for a period of 6 years (the redemption date is 4 February 2022), and they bear interest based on LIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in supplementary capital. The carrying amount of the bonds as at 30 June 2016 was PLN 45,332 thousand.

On 28 December 2015, the Supervisory Board of the Bank approved opening the Public Subordinated Bonds Issue Scheme by the Management Board of Alior Bank S.A. (“the Issue Scheme”) and authorized the Bank’s Management Board to incur financial liabilities by issuing, in series, up to 800 000 unsecured, subordinated bearer bonds of PLN 1 000 par value each as part of the Issue Scheme.

Under this program, the Bank issued:

- 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. Pursuant to the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. As at 30 June 2016, the carrying value of the bonds was PLN 151,609 thousand.
- 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. Pursuant to the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. As at 30 June 2016, the carrying value of the bonds was PLN 70,683 thousand.

	As at 31.03.2016	As at 31.12.2015
Liabilities included in own funds	**1 165 450**	**896 298**
Subordinated loan	44 442	42 818
F-series bonds	325 872	325 924
G-series bonds	195 499	195 555
I-series bonds	150 565	150 592
I1-series bonds	33 476	33 482
Meritum Bank bonds	147 972	147 927
EUR001-series bonds	45 332	0
P1A -series bonds	151 609	0
P1B-series bonds	70 683	0
Liabilities included in own funds	**1 165 450**	**896 298**

25. Equity

(in PLN '000)

25.1 Equity	As at 30.06.2016	As at 31.12.2015
Equity attributable to equity holders of the parent	5 800 370	3 512 859
Share capital	1 292 577	727 075
Supplementary capital	4 172 467	2 279 843
Other reserves	183 803	184 735
Retained earnings / (accumulated losses)	-7 085	-3 657
Revaluation reserve herof	-3 280	15 215
On measurement of available for sale assets	-14 687	-6 824
On measurement of hedging derivatives	11 407	22 039
Current year result	161 888	309 648
Non-controlling interests	987	1 240
Total equity	**5 801 357**	**3 514 099**

25.2 Revaluation reserve	As at 30.06.2016	As at 31.12.2015
Valuation of financial assets available for sale	-14 687	-6 824
treasury bonds	-18 132	-8 102
other bonds	0	-323
Deferred tax	3 445	1 601
Valuation of hedging derivatives	11 407	22 039
IRS	14 083	27 209
Deferred tax	-2 676	-5 170
Revaluation reserve	**-3 280**	**15 215**

During the first half of the year the Bank's share capital was increased by way of issuing 56,550,249 I-series ordinary bearer shares with a nominal value of PLN 10 each (additional information in Note 1.3). Pursuant to the Prospectus, the issue price of the shares is PLN 38.90 per share. The share premium will be transferred in full to the Bank's supplementary capital.

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.

(in PLN '000)

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, hedging derivatives	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	Daily	income statement

The fair values of the Group's financial instruments presented in the Statement of financial position at fair value as at 30 June 2016 and 31 December 2015 were equal to their carrying amounts.

Since 2013, the Group has adjusted 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 2016 amounted to PLN – 1,637 thousand. The total amount of BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -1,869 thousand, and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +232 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.

Financial instrument	Fair value hierarchy level	As at 30.06.2016		As at 31.12.2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the Central	level 1	725 871	725 871	1 750 135	1 750 135

(in PLN '000)

Bank

Loans and advances to customers	level 3	34 136 419	33 055 976	30 907 057	30 324 264
Retail segment (carrying amount)					
Working capital facility		165 482	165 481	167 635	167 635
Consumer loans		9 435 666	9 077 905	8 699 017	8 538 699
Consumer finance loans		959 226	962 491	748 948	755 044
Loans for purchase of securities		124 393	124 393	119 069	119 069
Credit card borrowings loans		237 258	237 565	225 629	225 349
Loans for residential real estate		7 631 468	7 147 496	6 717 911	6 317 227
Other mortgage loans		808 832	768 257	896 008	845 181
Other receivables		21 462	20 918	21 097	21 086
Corporate segment (carrying amount)					
Working capital facility		7 791 139	7 686 091	7 308 603	7 306 525
Car loans		51 854	51 853	70 394	70 390
Investment loans		6 103 213	6 007 101	5 481 578	5 506 929
Acquired receivables		533 620	533 620	376 403	376 403
Lease receivables		238 910	238 910	52 330	52 330
Other receivables		33 896	33 895	22 435	22 397
Amounts due from banks	level 2	1 336 745	1 336 745	645 329	645 329
Assets held for sale	level 3	696	696	888	888
Assets pledged as collateral	level 2	563 369	563 369	628 332	628 332
Other financial assets	level 3	324 532	324 532	369 816	369 816
Amounts due		39 006 529	39 014 133	34 747 236	34 135 845
Due to banks	level 2				
Current deposits		11 011	11 011	11 012	11 012
Overnight deposits (O/N)		200 008	200 008	30 701	30 701
Term deposits		47 775	47 775	197 826	197 826
Own issue of bank securities		20 002	20 585	32 666	33 008
Other liabilities		141 376	141 376	203 262	203 262
SBB		596 428	596 428	575 561	575 561
Due to customers	level 3				
Current deposits		13 951 907	13 951 907	12 476 267	12 476 267
Term deposits		21 331 967	21 331 967	18 535 716	18 535 716
Own issue of bank securities		2 338 098	2 345 119	2 259 230	2 268 499
Other liabilities		367 957	367 957	392 329	392 329
Subordinated liabilities	level 3	1 165 450	1 165 450	896 298	896 298
Other financial liabilities	level 3	441 717	441 717	284 193	284 193
Guarantees	level 3	3 246	3 246	1 060	1 060
Off-balance sheet liabilities granted relating to financing	level 3	3 675	3 675	4 452	4 452

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

(in PLN '000)

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 30.06.2016	Measurement method (techniques)	Material unobservable input data
Amounts due from customers	33 055 976	comparative valuation	margins on newly extended loans
Financial liabilities measured at amortized cost	39 014 133	discounted cash flows	issue spread above market curve
Guarantees	3 246	cash flows	future flows taking into account the amount of security

	As at 31.12.2015	Measurement method (techniques)	Material unobservable input data
Amounts due from customers	30 324 264	comparative valuation	margins on newly extended loans
Financial liabilities measured at amortized cost	34 724 181	discounted cash flows	issue spread above market curve
Guarantees	1 060	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 30 June 2016, the capital adequacy ratio was calculated using the prudential consolidation method (in accordance with Art. 19 of the Regulation of the European Parliament and Council (EU) No. 575/2013 dated 26 June 2013). For the purposes of including the consolidated profit/(loss) in equity and calculating the capital adequacy ratio on the consolidated level, Alior Bank S.A. and Alior Leasing Sp. z o.o. were consolidated, in the same manner as they were consolidated as at the end of 2015.

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 S.A. 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.

	1.01.2016-30.06.2016
Interest income	1 357 128
Interest expense	-500 340
Net interest income	**856 788**
Dividend income	**34**
Fee and commission income	275 382
Fee and commission expense	-110 547
Net fee and commission income	**164 835**
Trading result	**131 141**
Net result on other financial instruments	**20 766**
Other operating income	29 911
Other operating costs	-23 055
Net other operating income	**6 856**
General administrative expenses	**-562 038**
Net impairment allowance and write-downs	**-348 857**
Banking tax	**-52 930**

(in PLN '000)

Gross profit	**216 595**
Income tax	-55 128
Net profit from continuing operations	**161 467**

Calculation of funds and capital adequacy ratio	As at 30.06.2016	As at 31.12.2015
Total own funds for the capital adequacy ratio	**6 511 264**	**3 853 305**
Common equity Tier I capital	5 384 672	**2 975 899**
Tier II capital	1 126 592	**877 406**
Capital requirements	**2 488 941**	**2 457 567**
Capital requirements for the following risks: credit, counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date	2 182 161	2 214 189
Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk	2 099	2 520
Capital requirement for general interest rate risks	50 466	32 637
Capital requirements for operating risk	254 215	208 221
Tier 1	**17,31%**	**9,69%**
Capital adequacy ratio	**20,93%**	**12,54%**

As at 30 June 2016 and 31 December 2015 , 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").

28. Off-balance-sheet items

28.1 Off-balance sheet contingent liabilities granted to customers	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted	9 185 131	8 941 675
Relating to financing	7 758 678	7 371 753
Guarantees	1 426 453	1 569 922
Performance guarantees	329 640	389 028
Financial guarantees	1 096 813	1 180 894
Off-balance sheet liabilities granted	**9 185 131**	**8 941 675**

28.2 By maturity	As at 30.06.2016	As at 31.12.2015
≤ 1W	1 971	3 161
> 1W ≤ 1M	60 259	12 805
> 1M ≤ 3M	84 456	246 545
> 3M ≤ 6M	113 592	162 675
> 6M ≤ 1Y	190 090	249 422
> 1Y ≤ 2Y	233 057	241 726
> 2Y ≤ 5Y	276 323	275 080
> 5Y ≤ 10Y	445 614	377 746
> 10Y ≤ 20Y	21 091	762
Off-balance sheet liabilities granted in respect of guarantees	**1 426 453**	**1 569 922**

(in PLN '000)

28.3 By maturity	As at 30.06.2016	As at 31.12.2015
≤ 1W	1 867 379	2 266 042
> 1W ≤ 1M	112 698	12 145
> 1M ≤ 3M	159 116	307 386
> 3M ≤ 6M	426 800	184 031
> 6M ≤ 1Y	479 172	524 558
> 1Y ≤ 2Y	1 400 883	1 090 516
> 2Y ≤ 5Y	2 136 200	1 963 511
> 5Y ≤ 10Y	616 513	419 842
> 10Y ≤ 20Y	371 591	410 826
> 20Y	188 326	192 896
Off-balance sheet liabilities granted in respect of relating to financing	**7 758 678**	**7 371 753**

28.4 Contingent assets	As at 30.06.2016	As at 31.12.2015
Received guarantees	2 245 329	0
Received guarantees	**2 245 329**	**0**

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.

The received guarantee applies to Insurance Guarantee unfunded credit protection in respect of Bank's selected portfolio of credit claims under an agreement with the Powszechny Zakład Ubezpieczeń S.A.

29. Acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa

On 26 January 2016, the Polish Financial Supervision Authority (PFSA) made a decision concerning the acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego (SKOK Września) by Alior Bank S.A.

On 27 January 2016, the Management Board of Alior Bank S.A. took over the management of SKOK Września's assets. As at 1 March 2016, Alior Bank S.A. (the acquiring bank) acquired SKOK Września. Pursuant to Art. 74c (4) of the Act on Credit Unions, the union or the acquiring domestic bank assumes all the rights and obligations of the acquired union as of the acquisition date. Until the date of the acquisition by Alior Bank S.A., SKOK Września conducted the full range of business activities and offered the full range of services to its members as previously.

The acquisition of SKOK Września by Alior Bank S.A. will guarantee the full safety of the funds accumulated by the acquired Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana

(in PLN '000)

Kard. Wyszyńskiego and provide SKOK Września members with access to a wider product offer of Alior Bank S.A.

The acquisition of SKOK Września will be accounted for in accordance with IFRS 3. Pursuant to IFRS 3.45 the Bank has 12 months to determine the final values; the process has not yet been finalized. The acquisition of SKOK Września was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK Września is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank will receive support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which was initially determined at PLN 52,534 thousand and disclosed in other assets

The acquired assets and liabilities at the acquisition date are presented below:

Assets	
Amounts due from customers	96 631
Amounts due from banks (including the Central Credit Union [Kasa Krajowa])	11 094
Other financial instruments measured at fair value through profit or loss	3 790
Other assets	1 617
Total assets on aquisition date	**113 132**

Liabilities and equity	
Amounts due to customers guaranteed by the BGF	164 385
Other liabilities	2 747
Total liabilities on aquisition date	**167 132**

Total net identifiable assets	**-54 000**
Estimated subsidy	52 534
Goodwill	**-1 466**

In the part not covered by the BFG subsidy (mainly trade liabilities) goodwill was calculated in the amount of 1,466 thousand. zł, the Bank made a one-time write-off of goodwill in costs.

On 26 April 2016, the PFSA took a decision relating to the acquisition of Powszechna SKOK in Knurów by Alior Bank. As at 27 April 2016 the Management Board of Alior Bank S.A. assumed management over Powszechna SKOK in Knurów. As of 1 June 2016, Powszechna SKOK in Knurów was acquired by Alior Bank, as the acquiring Bank. Pursuant to Article 74c clause 4 of the Act on cooperative savings and credit unions, as of the date of acquisition the acquiring credit union or national bank acquired all the acquired union's rights and obligations. Until the date of acquisition of the SKOK Knurów by Alior Bank S.A. it operated and offered its services to its members in the full scope of its operations to-date.

The acquisition of SKOK Knurów will be accounted for in accordance with IFRS 3. Pursuant to IFRS 3.45 the Bank has 12 months to determine the final values; the process has not yet been finalized. The acquisition of SKOK Knurów was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK Knurów is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank will receive support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which was initially determined at PLN 9,531 thousand. The initial values of the acquired assets and liabilities are presented below:

Assets	In PLN'000
Amounts due from customers	15 882
Amounts due from banks (including Kasa Krajowa)	9 691
Other assets	403
Total assets on aquisition date	**25 976**

Liabilities and equity	
Amounts due to customers guaranteed by BGF	35 507
Other liabilities	6 582
Total liabilities on aquisition date	**42 089**
Total net identifiable assets	**-16 113**
Estimated subsidy	9 531
Goodwill	-6 582

In the part not covered by BFG subsidy (mainly trade liabilities) goodwill was generated in the amount of PLN 6,582 thousand. Due to the initial settlement of the acquisition the Bank made partial write-off of goodwill in costs in the amount of PLN 3 289 thousand.

30. Assets pledged as collateral

30.1 Assets pledged as collateral	As at 30.06.2016	As at 31.12.2015
Treasury bonds locked in REPO transactions	498 713	576 534
Registered pledge on Treasury bonds	37 813	37 060
Deposit as collateral of transactions performed in Alior Trader	26 843	14 738
Razem	**563 369**	**628 332**

Liabilities reflecting this amount were shown in Note 19.

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 30.06.2016	As at 31.12.2015
Treasury bonds locked in BFG	179 617	159 570
Deposit as collateral of derivative transactions (ISDA)	171 871	171 406
Razem	**351 488**	**330 976**

31. Transactions with related entities

The following tables present the type and value of transactions with related entities. Transactions between the Bank and its subsidiaries which are the Bank's related entities were eliminated during consolidation and have not been shown in this note.

The parent company and its subsidiaries	As at 30.06.2016	As at 31.12.2015
Assets		
Loans and advances to customers	23	41

(in PLN '000)

Other receivables	21	0
Total assets	**44**	**41**
Liabilities and equity		
Amounts due to customers	78 408	7 809
Provisions	3	
Total liabilities and equity	**78 411**	**7 809**

As at 30 June 2016 on the amount due to customers was related to deposits placed with the Bank by the companies of the PZU Group.

Related entities	As at 30.06.2016	As at 31.12.2015
Assets		
Loans and advances to customers	18	193
Total assets	**18**	**193**
Liabilities and equity		
Amounts due to customers	4 322	90 326
Other liabilities	0	60
Total liabilities and equity	**4 322**	**90 386**

The parent company and its subsidiaries	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted to customers	**25 170**	**0**
in respect of financing	24 943	
guarantee	227	
Contingent assets received	**2 245 329**	0
guarantee	2 245 329	0

Related entities	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted to customers	**19**	**9 191**
in respect of financing	19	7 507
guarantee	0	1 684

The parent company and its subsidiaries	1.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest expenses	-710	0
Other operating costs	-11 635	0
Fee and commission income	14	0
Total	**-12 331**	0

Related entities	1.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest income	0	26
Interest expenses	-72	-773
Fee and commission income	0	74
Other operating income	0	38
General administrative expenses	0	-23 991
Total	**-72**	**-24 626**

(in PLN '000)

In the first six months of 2015, the amounts paid by the Bank to Alior Polska Sp. z o.o. for real estate rental were the only component of general administrative expenses.

The nature of transactions with related parties

All transactions with related parties take place in accordance with the rules for using banking products, at market rates.

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

Supervisory Board	As at 30.06.2016	As at 31.12.2015
Assets		
Loans and advances to customers	0	5 688
Total assets	**0**	**5 688**
Liabilities and equity		
Amounts due to customers	1 288	19 762
Provisions	0	1
Total liabilities and equity	**1 288**	**19 763**

Supervisory Board	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted to customers	**0**	**944**
in respect of financing	0	944

Management Board	As at 30.06.2016	As at 31.12.2015
Assets		
Loans and advances to customers	7 415	7 542
Total assets	**7 415**	**7 542**
Liabilities and equity		
Amounts due to customers	7 076	16 755
Provisions	0	1
Total liabilities and equity	**7 076**	**16 756**

Management Board	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted to customers	**114**	**595**
in respect of financing	114	595

Information on the total amount of remuneration paid or payable to the Supervisory Board and Management Board members	1.01.2016-30.06.2016	1.01.2015-30.06.2015
The Bank's Management Board		
short-term employee benefits	7 122*	3 832
The Supervisory Board		
short-term employee benefits	1 676**	420

** It includes compensation concerning a ban on competition after termination of employment. (M.Hucał amount 500 thousend.)*

*** It includes compensation concerning a ban on competition after termination of employment. (N.Lundorf – amount 1 080 thousend);*

33. Sale of receivables

In the first half of 2016. The Group did not carry out the sale of receivables.
In the first half of 2015. The Group sold loans for a total gross amount of PLN 547,510 thousand. , impairment provision created for this portfolio amounted to PLN 338,570 thousand, and the profit on sale amounted to PLN 4,750 thousand. All benefits and risks have been transferred to the buyer.

34. Management option plan

On 13 December 2012, based on a power of attorney granted by Resolution of the Supervisory Board of Alior Bank S.A. of 10 December 2012, a preliminary allocation of A, B and C series Subscription Warrants was performed. The said Subscription Warrants entitle their holders to acquire the Bank's shares, in accordance with Resolution of the Extraordinary General Shareholders' Meeting of Alior Bank S.A. no. 28/2012 of 19 October 2012 on the conditional increase in the Bank's share capital and issue of subscription warrants.

The principles of execution of the incentive scheme have been determined in the Incentive Scheme Rules and Regulations adopted by resolution of the Supervisory Board of Alior Bank S.A.

Under the incentive scheme, it has anticipated that three tranches of subscription warrants (A, B and C series) and the corresponding three tranches of new shares of the Bank (D, E and F series) with a total par value of up to PLN 33 312 500 will be issued, including:

- up to 1 110 417 A series subscription warrants, which shall entitle their holders to acquire up to 1 110 417 D series shares of the Bank within five years from the first anniversary of the first quotation of the Bank's shares on the WSE;
- up to 1 110 416 B series subscription warrants, which shall entitle their holders to acquire up to 1 110 416 E series shares of the Bank within five years from the second anniversary of the first quotation of the Bank's shares on the WSE;
- up to 1 110 417 C series subscription warrants, which shall entitle their holders to acquire up to 1 110 417 F-series shares of the Bank within five years from the third anniversary of the first quotation of the Bank's shares on the WSE.

The Management Option Plan took place in 2013-2015. According to the Policy Variable Remuneration Components Persons holding managerial positions at Alior Bank program will be settled by 2020.

In connection with the issuance of rights to shares, the Supervisory Board on 27 July 2016 passed a technical correction of the Management Options Programme aimed to ensure the neutrality of the economic program for entitled persons. The correction is to calculate the decline in the theoretical value of the Management Options Programme and releasing adequate number of phantom shares to entitled persons with parameters similar to warrants. Valuation of adjustment will take place in the 3rd quarter.

Incentive Scheme for the Management Board

Following the end of the three-year validity period of the Original Incentive Program based on the shares of the Bank, the Supervisory Board adopted an Incentive Scheme for the Management Board for the year 2016.

The objective of the Program is to establish additional mechanisms motivating its participants to maintain the effective fulfilment of the assigned tasks, managing the Bank in particular, as well as making efforts aimed at the further sustainable development of the Bank and its capital group, while preserving the correct and effective risk management in the Bank, stability of the Bank's senior management and pursuing long-term interests of the shareholders by bringing the growth of the value of the stock market valuation of the Bank and simultaneously maintaining an increase in the net value of the assets of the Bank and its companies.

The bonus depends on achieving or exceeding the relevant Thresholds of the Results of the Bank as well as Individual Targets. According to the Resolution of the PFSA, the assessment takes into account the performance of the Eligible Person during the three preceding calendar years. The decision to grant the Bonus will be made with regard to the provisions of the Policy, financial and non-financial criteria as well as an evaluation of the overall results of the Bank, and also an evaluation of the results of the Bank in the field of responsibility of the given Eligible Person. According to the Resolution of the PFSA, the Supervisory Board of the Bank will also consider the results of the entire Bank for the three preceding calendar years when making a decision on bonus disbursement and its amount. The Bonus is payable if the financial situation of the whole Bank supports such payment.

The Bonus will be a defined percent of the fixed gross annual remuneration of the Eligible Person.

Once the amount of the Bonus is determined, it will be disbursed on the conditions set out below.

- 50% of the Bonus will be paid out in cash in four tranches: 40% will be paid out without deferment, 60% will be deferred and paid out in tranches of 20% in the following years,
- 50% of the Bonus will be paid out in the form of the financial instrument motivating to taking particular care of the long term business of the Bank – the "phantom" shares. The phantom shares will be cashed and paid out in the four tranches: 40% will be deferred for 5 months, and 60% will be deferred and cashed out in three tranches of 20% each.

The Bonus may also be paid out, in whole or in part, in the form of subscription warrants according to the Resolution of the General Shareholders' Meeting.

In connection with planned changes of Bank's legal and organizational structure involving a takeover of separated part of Bank BPH SA based in Gdansk, including core business of Bank BPH excluding activities associated with mortgage loans in accordance with Art. 529 § 1 point 4 of the Commercial Companies Code under the terms of the share purchase agreement, the Supervisory Board on 29 June 2016 enacted rules for transactional bonus for the members of the Management Board, in order to motivate in a special way the members of the Management Board to actively cooperate in the preparation and conduction of the transaction to ensure in punctual and consistent with strategic objectives implementation of the Transaction. The bonus can be granted and paid, if the conditions related to the transaction and operational merger of banks are fulfilled. Bonus payout will be in accordance with the policies of the variable components of remuneration.

35. Disputed claims

The value of proceedings relating to liabilities or receivables of the Bank in progress in the first half of 2016 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 2016, and none of the proceedings jointly, could threaten the Bank's financial liquidity.

In the cases concerning business customers, the number of enforcement titles issued by the Bank and motions for issuing the enforcement clauses in the first half of 2016 was 187. They covered debt in the total amount of PLN 87,029.4 thousand. In the cases relating to retail customers, in the first half of 2016 the Bank issued 8,172 enforcement titles and motions for issuing the enforcement clauses for a total amount of PLN 102,946 thousand.

36. Purchases and disposals of property, plant and equipment and intangible assets

During the first quarter of 2016, there were no material purchases or disposals of property, plant and equipment or of intangible assets.

37. Appropriation of the profit for 2015 and information on no payment of the dividend

On 30 March 2016, the Annual General Shareholders' Meeting of Alior Bank Spółka Akcyjna passed a resolution on distribution of profit for 2015 in the total amount of PLN 311,415,190.78. The Annual General Shareholders' Meeting of the Bank decided to transfer the total net profit for 2015 to the supplementary capital.
The Group did not pay dividend for the year 2015.

38. Risk management

Risk management is one of the key internal processes in the Alior Bank S.A. 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 S.A. Group for the financial year from 1 January 2014 to 31 December 2015, published on 3 March 2016 and available on the Alior Bank S.A. website.

Liquidity risk

The maturity analysis of assets and liabilities by contract term as at the end of the first quarter of 2016 and at the end of 2015 is presented in the table below (amounts of discounted cash flows in PLN million).

(in PLN '000)

2016-06-30	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
ASSETS	**8 832**	**1 415**	**900**	**2 267**	**3 342**	**4 749**	**9 816**	**15 720**	**47 042**
Cash and Nostro accounts	892	0	0	0	0	0	0	0	892
Amounts due from banks	57	939	0	0	0	174	0	0	1 170
Loans and advances to customers	5 758	324	883	1 685	1 893	3 498	7 085	13 037	34 163
Securities	2 124	152	17	582	1 450	1 077	2 731	909	9 041
Other asstes	0	0	0	0	0	0	0	1 774	1 774
LIABILITIES AND EQUITY	**-15 768**	**-7 681**	**-5 713**	**-4 914**	**-2 002**	**-3 027**	**-1 197**	**-6 740**	**-47 042**
Amounts due to banks	- 135	- 720	0	0	0	- 141	- 44	0	-1 041
Amounts due to customers	-15 632	-5 893	-5 713	-4 727	-1 748	-1 810	- 42	- 86	-35 652
Own issues	0	0	0	- 187	- 254	-1 075	-1 111	- 852	-3 479
Equity	0	0	0	0	0	0	0	-5 801	-5 801
Other liabilities	0	-1 068	0	0	0	0	0	0	-1 068
Balance-sheet gap	**-6 936**	**-6 266**	**-4 813**	**-2 646**	**1 341**	**1 722**	**8 619**	**8 980**	**0**
Accumulated balance-sheet gap	**-6 936**	**-13 202**	**-18 015**	**-20 662**	**-19 321**	**-17 599**	**-8 980**	**0**	
Derivative instruments - inflows	462	2 602	1 054	1 268	515	1 033	334	64	7 331
Derivative instruments - outflows	- 459	-2 567	-1 049	-1 280	- 513	-1 009	- 336	- 63	-7 277
Derivative instruments - net	**3**	**35**	**5**	**- 12**	**3**	**24**	**- 3**	**1**	**55**
Guarantee and financial lines	8 894	8	15	46	101	106	8	8	9 185
Off-balance sheet gap	**8 896**	**43**	**19**	**33**	**104**	**130**	**6**	**9**	**9 240**
Total gap	**1 960**	**-6 224**	**-4 794**	**-2 613**	**1 444**	**1 853**	**8 624**	**8 989**	**9 240**
Total accumulated gap	**1 960**	**-4 263**	**-9 057**	**-11 670**	**-10 226**	**-8 373**	**251**	**9 240**	

2015-12-31	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
ASSETS	**7 249**	**519**	**937**	**1 314**	**2 893**	**4 449**	**8 469**	**14 174**	**40 003**
Cash and Nostro accounts	2 090	0	0	0	0	0	0	0	2 090
Amounts due from banks	0	122	0	0	0	184	0	0	306
Loans and advances to customers	5 160	382	919	1 065	2 322	3 024	6 328	11 722	30 922
Securities	0	15	17	249	570	1 241	2 141	633	4 867
Other asstes	0	0	0	0	0	0	0	1 819	1 819
LIABILITIES AND EQUITY	**-13 938**	**-6 780**	**-5 391**	**-4 881**	**-1 876**	**-1 534**	**-1 224**	**-4 378**	**-40 003**
Amounts due to banks	- 11	- 804	0	0	0	- 203	- 43	0	-1 061
Amounts due to customers	-13 927	-5 098	-5 385	-4 622	-1 687	- 621	- 47	- 17	-31 404
Own issues	0	0	- 6	- 259	- 189	- 710	-1 135	- 847	-3 145
Equity	0	0	0	0	0	0	0	-3 514	-3 514
Other liabilities	0	- 878	0	0	0	0	0	0	- 878
Balance-sheet gap	**-6 689**	**-6 262**	**-4 454**	**-3 567**	**1 017**	**2 915**	**7 244**	**9 795**	**0**
Accumulated balance-sheet gap	**-6 689**	**-12 951**	**-17 405**	**-20 972**	**-19 955**	**-17 040**	**-9 795**	**0**	
Derivative instruments - inflows	0	2 455	763	536	1 722	1 108	407	60	7 052
Derivative instruments - outflows	0	-2 428	- 753	- 551	-1 721	-1 087	- 404	- 59	-7 002
Derivative instruments - net	**0**	**27**	**10**	**- 15**	**2**	**22**	**3**	**1**	**50**
Guarantee and financial lines	8 639	3	9	37	134	98	2	20	8 942
Off-balance sheet gap	**8 639**	**30**	**19**	**22**	**136**	**120**	**5**	**21**	**8 991**
Total gap	**1 950**	**-6 232**	**-4 435**	**-3 545**	**1 153**	**3 035**	**7 249**	**9 817**	**8 991**
Total accumulated gap	**1 950**	**-4 283**	**-8 718**	**-12 263**	**-11 110**	**-8 075**	**- 826**	**8 991**	

Credit risk

Receivables not overdue	As at 30.06.2016	As at 31.12.2015
Amounts due, not impaired	**28 685 688**	**26 170 881**
Retail segment	17 131 557	15 558 620
Business segment	11 554 131	10 612 261
Amounts due, impaired	**218 893**	**152 849**

(in PLN '000)

Retail segment	58 654	37 337
Business segment	160 239	115 512
Receivables not overdue	**28 904 581**	**26 323 730**

Overdue loans and advances to customers as at 30.06.2016

	Up to 1 month	From 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	from 5 years	Total
Amounts due, not impaired	**3 278 540**	**397 156**	**131 278**	**122 377**	**3 658**	**3 933 009**
Retail segment	1 135 515	333 472	38 097	29 009	3 430	**1 539 523**
Business segment	2 143 025	63 684	93 181	93 368	228	**2 393 486**
Amounts due, impaired	**134 093**	**107 319**	**423 361**	**630 547**	**3 509**	**1 298 829**
Retail segment	40 084	56 408	216 969	339 521	1 071	**654 053**
Business segment	94 009	50 911	206 392	291 026	2 438	**644 776**
Total amount due	**3 412 633**	**504 475**	**554 639**	**752 924**	**7 167**	**5 231 838**

Overdue loans and advances to customers as at 31.12.2015

	Up to 1 month	From 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	from 5 years	Total
Amounts due, not impaired	**2 807 250**	**412 737**	**137 026**	**100 720**	**3 372**	**3 461 105**
Retail segment	1 047 724	257 776	49 819	20 449	2 745	1 378 513
Business segment	1 759 526	154 961	87 207	80 271	627	2 082 592
Amounts due, impaired	**145 409**	**121 262**	**329 481**	**523 603**	**2 467**	**1 122 222**
Retail segment	55 540	76 767	204 451	282 620	1 466	620 844
Business segment	89 869	44 495	125 030	240 983	1 001	501 378
Total amount due	**2 952 659**	**533 999**	**466 507**	**624 323**	**5 839**	**4 583 327**

39. Events significant to the business operations of the Bank’s

Information on the planned acquisition of the demerged business of Bank BPH S.A.

On 31 March 2016, the Bank concluded the Share Sale and Demerger Agreement with Sellers of Bank BPH: GE Investments Poland sp. z o.o., DRB Holdings B.V. oraz Selective American Financial Enterprises, Inc. (“the Sellers of Bank BPH”), deal of sale of stocks and demerger, relating to the completion of the transaction (“the transaction”) covering: (i) acquisition by the Bank from Sellers of Bank BPH the shares constituting a significant interest in Bank BPH by the Issuer, by way of a tender offer for the sale or exchange of shares in Bank BPH; (ii) demerger of Bank BPH pursuant to Art. 529 § 1 item 4 of the Commercial Companies Code (CCC) conducted by transferring the Core Business of Bank BPH to Alior Bank (demerger by spin-off) on the terms and conditions described in the Demerger Plan(“Demerger”); and (iii) issuing the Alior’s Bank new shares to the shareholders of Bank BPH indicated in the Demerger Plan (i.e. with the exclusion of the Alior Bank, Bank BPH Sellers and their related entities) (jointly “Transaction”).
The Share Sale and Demerger Agreement had anticipated the acquisition of the Core Business of Bank BPH by the Bank on the date of registration of the increase in the Bank’s share capital with the competent court in connection with the Demerger ("Demerger Date”). The Core Business of Bank BPH will constitute an organized part of the enterprise covering all of Bank BPH’s assets and liabilities with the exception of the Mortgage Business of Bank BPH comprised mainly of Bank BPH’s mortgage loan portfolio (in particular all mortgage loans denominated in PLN and in other currencies, extended to individuals for housing purposes).

Additionally, on 1 April 2016, the Bank concluded a pre-demerger cooperation agreement with Bank BPH, with the support of Bank BPH Sellers (“Pre-Demerger Cooperation Agreement”). The Pre-Demerger Cooperation Agreement specifies the initial terms and conditions of the

Demerger, including the general terms and conditions of cooperation between the parties in preparing the Demerger Plan and completing the Demerger. The Pre-Demerger Cooperation Agreement also specifies the rules based on which the Share Exchange will be determined and the principles for allocation of assets and liabilities of Bank BPH to the Core Business of Bank BPH and the Mortgage Business of Bank BPH. It also includes certain obligations of Bank BPH related to operating it in the period between the signing of the Share Sale and Demerger Agreement and the Demerger Date.

The Transaction is expected to be exercised by the end of 2016.

Stages of completion of the Transaction

The Transaction comprises the following key elements:

1. increase in the Bank's share capital by way of an issue of the Bank's new shares in a public offering addressed to the Bank's current shareholders, in conformance with the pre-emptive rights ("Rights Offering"), among other things, to finance the Transaction (see par. "Rights Offering" below);
2. acquisition of shares constituting a significant interest in Bank BPH, by way of a tender offer for the sale of all the remaining shares in Bank BPH; (pursuant to Art. 74 clause 1 of the Public Offering Act) or shares representing 66% of the share capital of Bank BPH (pursuant to Art. 73 clause 1 of the Public Offering Act) ("Tender Offer") (see par. "Tender Offer" below);
3. optionally, Mandatory Squeeze-out of Bank BPH shares, on condition that such a decision is taken by the Bank and that the Bank and Bank BPH Sellers, after the end of the Tender Offer for Bank BPH shares constituting jointly at least 90% of Bank BPH's share capital ("Mandatory Squeeze-out") (see par. "Mandatory Squeeze-out" below);
4. conducting the Demerger pursuant to Art. 529 § 1 item 4 of CCC conducted by transferring the Core Business of Bank BPH to the Issuer (demerger by spin-off) on the terms and conditions described in the Demerger Plan in exchange for the Bank's new shares issued to the shareholders of Bank BPH indicated in the Demerger Plan (see par. "Demerger" below).

Price

The price for the 87.23% interest of Bank BPH Sellers in the Core Business of Bank BPH was set at PLN 1 225 million, in recognition of potential adjustments which may take place before the end of the term of the Tender Offer, pursuant to the Share Sale and Demerger Agreement.

Alior Bank S.A. in current report deted 2 August 2016 hereby gave notice of setting the adjusted price for the acquisition of the core business of Bank BPH, at PLN 1,159,645,000 (the "Adjusted Price"). The Adjusted Price was determined pursuant to the Share Purchase and Demerger Agreement based on the tangible book value of the core business of Bank BPH as at 30 June 2016.

The Adjusted Price may be further adjusted depending on the adjusted tangible book value of the core business of Bank BPH as at the date of registration of the increase of Alior Bank's share capital by the relevant registry court in connection with the demerger of Bank BPH, i.e. following the completion of the tender offer for the sale of 50,600,821 shares in Bank BPH, announced by Alior Bank.

Terms and conditions

Completion of the Transaction depends on fulfilling the conditions precedent specified in the Share Sale and Demerger Agreement, which include specifically: (i) obtaining the consent of the appropriate anti-trust authority; (ii) Bank BPH, the Alior Bank and Seller obtaining the appropriate consents or decisions of the PFSA; (iii) the Management Board of Bank BPH and

the Management Board of Alior Bank approving and signing the Demerger Plan; (iv) the General Meeting passing the relevant resolution on approving the issue of the Bank's new shares under the Rights Offering; (v) the court registering the Bank's share capital; (vi) the General Meeting passing a resolution on approving the Demerger ("the Demerger Resolution"); (vii) obtaining appropriate tax interpretations related to the demerger of Bank BPH.
Pursuant to the Share Sale and Demerger Agreement the said terms and conditions must be fulfilled before the deadlines set at: 1 June 2016 – in respect of the condition stipulated in point (iv) above, 1 May 2016 – in respect of the condition stipulated in point (iii) above, in recognition of the possibility of extending the deadline; and 1 November 2016 – in respect of the remaining conditions.

On 23 June 2016, the President of the Office of Competition and Consumer Protection issued unconditional consent to the concentration consisting of acquiring part of the assets of Bank BPH by Alior Bank.

On 30 June 2016, the Management Board of Alior Bank S.A., acting on the basis of Art. 539 §1 and 2 of the Commercial Companies Code ("CCC"), in connection with Art. 4021 of the CCC once again informed of the planned demerger of Bank BPH S.A. ("BPH") by spinning off an organized part of the enterprise of Bank BPH related to Bank BPH's business other than its mortgage business and transferring it to Alior Bank, according to the procedures specified in Art. 529 §1 item 4 of the CCC ("Demerger"). The following Share Exchange of the Bank's shares to Alior Bank shares was determined in the Demerger Plan: for 1 (one) share in BPH, a BPH shareholder (with the exception of GE shareholders, i.e. (i) 0.44 (forty-four hundredths) Alior Bank shares will be assigned and allotted ("Share Exchange"), in recognition of the adjustment related to the dilution of Alior Bank's share capital following from the public offering of share rights of Alior Bank before the Demerger Date. The Share Exchange, after accounting for the above adjustment relating to the dilution of Alior Bank's share capital was determined at around 0.51.

On 19 July 2016, the issued a decision on the absence of basis for objections to Alior Bank's and Powszechny Zakład Ubezpieczeń SA's intent to the direct acquisition by Alior Bank of shares in Bank BPH in a number ensuring more than 50% interest in the share capital and total number of voting rights at the General Meeting of Bank BPH.

Also 19 July 2016, Alior Bank and Bank BPH also obtained the decision of the PFSA on issuing a permit to demerge Bank BPH according to Art. 529 § 1 item 4 of the Commercial Companies Code by transferring to Alior Bank part of the assets of Bank BPH in the form of an organized part of the enterprise (all Bank BPH's assets and liabilities with the exception of the so-called mortgage business of Bank BPH covering Bank BPH's mortgage loan portfolio PFSA's decision on the absence of grounds for objecting to their intention of becoming Bank BPH's parent from the date of acquiring the shares of Bank BPH to the date of registering the increase in Alior Bank's share capital in connection with the Demerger, and next to exceed 50% of the total number of votes at the General Meeting of Bank BPH as a result of the Demerger.

On 25 July 2016, Alior Bank S.A received decision from the PFSA permitting the amendments to the articles of association of Alior Bank to be made in connection with the intended demerger of Bank BPH. Similar allowance in terms of changes in statutory were received by Bank BPH.

On 28 July 2016, Alior Bank S.A received the last interpretation of the tax law (tax ruling) related to the demerger of Bank BPH.

On 29 July 2016 the Extraordinary General Meeting of the Bank adopted Resolution on the demerger of Bank BPH Spółka Akcyjna.

On 5 August 2016 Alior Bank S.A. had received a decision of the PFSA dated 4 August 2016, approving, in accordance with Article 34 Section 2 of the Polish Banking Law, proposed amendments to the articles of association of Bank BPH related to the planned demerger of Bank BPH the proposed amendments reflect a decrease of the share capital of Bank BPH related to the Demerger.

Termination of the Share Sale and Demerger Agreement

On 10 June 2016, the Bank's Management Board informed of the public offering and issue of 56,550,249 ordinary bearer I-series shares with a nominal value of PLN 10 each becoming effective. 56,550,249 of the Offered Shares were duly subscribed for and paid up. During the subscription period 3,973 subscriptions to exercise pre-emptive rights were made for 56,037,229 Offered Shares and 665 additional subscriptions for 33,183,550 Offered Shares. The additional share subscription was reduced by 98.5%.

On 24 June 2016, the District Court for the capital city of Warsaw in Warsaw, 13th Business Department of the National Court Register registered the increase in the Bank's share capital from PLN 727,074,630.00 to PLN 1,292,577,120.00 by way of issuing 56,550,249 ordinary bearer I-series shares with a nominal value of PLN 10.00 each in the Register of Businesses.

Therefore general volume resulting from all issued Bank's stocks is 129.257.712 votes, and equity is represented by 129.257.712 ordinary stocks with nominal value 10,00 PLN each. Shares went on public stock market on 1 July 2016.

Tender Offer

August 1, 2016 r. Started subscriptions for the sale of shares in Bank BPH tender offer by Alior Bank. Enrollment will last until 16 August 2016., And the expected maturity of the transaction is a 24 August 2016.

Thus on 8 August 2016 of the satisfaction of the condition of the Tender Offer regarding the placing of subscriptions in the Tender Offer for the minimum number of 37,180,026 Bank BPH shares carrying at least approximately 48.49% of the total number of votes in Bank BPH (the "Condition Concerning Minimum Number of Shares") took place. The satisfaction of the Condition Concerning Minimum Number of Shares means that all the conditions of the Tender Offer have been satisfied. The Condition Concerning Minimum Number of Shares has been satisfied as a result of the placing of subscriptions for the sale of Bank BPH shares by GE Investments Poland sp. z o.o. and DRB Holdings B.V. pursuant to the Share Purchase and Demerger Agreement. These subscriptions were placed following the satisfaction of the last of the conditions precedent of the Share Purchase and Demerger Agreement connected with the obtaining of all the Polish Financial Supervision Authority's consents specified in the Share Purchase and Demerger Agreement, taking into account the changes in this respect included in the annex to the Share Purchase and Demerger Agreement of 8 August 2016.

In the period between the end of the Tender Offer and the earlier of the following dates: (i) the Demerger Date and (ii) the date falling six months after the end of the term of the Tender

Offer (“Transitional Period”), the Bank has undertaken not to exercise, without the prior written consent of Bank BPH Sellers, any rights following from Bank BPH shares, in recognition of the exceptions stipulated in the Share Sale and Demerger Agreement. In the Transition Period Bank BPH Sellers will remain the reference shareholders of Bank BPH.

Mandatory Squeeze-out
If after the end of the term of the Tender Offer the Bank and Bank BPH Sellers hold shares which in total represent at least 90% of the share capital of Bank BPH in total, the Bank, pursuant to the Share Sale and Demerger Agreement, may at its discretion, undertake a Mandatory Squeeze-out of Bank BPH’s minority shareholders and demand from Bank BPH Sellers that they act in agreement with the Bank in respect of the Mandatory Squeeze-out.

If the minority shareholders retain their shares in Bank BPH after the Demerger Date, the shares will be exchanged for the Bank’s shares as a result of the Demerger.

Demerger
The Bank and Bank BPH Sellers have determined in the Share Sale and Demerger Agreement the general principles according to which the Demerger will be conducted, pursuant to which: (i) no new shares in the Bank’s share capital will be issued on behalf of the Bank; (ii) all Bank BPH shares held by the Bank will cease to exist and Bank BPH Sellers will become Bank BPH’s sole shareholders; and (iii) on the respective date indicated in the Demerger Plan, Bank BPH shareholders (other than the Bank and Bank BPH Sellers, and Bank BPH Sellers’ related entities) holding shares in Bank BPH, if such shareholders remain with Bank BPH, will receive shares in the Bank’s share capital in accordance with the share exchange principles of Bank BPH shares to Bank shares determined for the purpose of the Demerger.

On 29 April 2016, the Management Board of Alior Bank and the Management Board of Bank BPH agreed and signed the demerger plan for Bank BPH.

Therefore, as a result of division of all the shares of Bank BPH acquired by the Bank will cease to exist as a result of a reduction in the share capital of the Bank, after the Day of the Division Bank will not be a shareholder of the Bank, and Bank BPH Seller's will become the only shareholders of Bank BPH (and thus economic owners of the Business Mortgage Bank BPH).

Additional agreements related to the Share Sale and Demerger Agreement
On the date of signing the Share Sale and Demerger Agreement the Bank concluded an agreement with GE Capital US Holdings, Inc. related to continuing to provide certain services related to applications, access rights, IT issues and operating support to the Core Business of Bank BPH by General Electric Group entities over the transition period stipulated in the said agreement.
Additionally, pursuant to the Share Sale and Demerger Agreement: (i) the outsourcing agreement relating to operating the Mortgage Business of Bank BPH by the Bank; (ii) the outsourcing agreement relating to providing IT services by the Bank to Bank BPH; and (iii) rental agreements relating to the use of the Bank’s office space by Bank BPH. Additionally, pursuant to the Share Sale and Demerger Agreement, the following agreements will be concluded by the Bank with respective parties on the date of signing the Demerger Plan: (i) agreement on the current trademark licences of the GE Capital Group which are to be used by the Core Business of Bank BPH until the completion of rebranding; and (ii) the licence agreement relating to the use of certain intellectual property of the GE Capital Group by the Core Business of Bank BPH.

On 29 April 2016 the Bank entered into: (i) an outsourcing agreement concerning the servicing of a portfolio of mortgage receivables of Bank BPH S.A. (the "Ops SLA") and (ii) an IT services outsourcing agreement (the "IT SLA") (together jointly the "Agreements") with Bank BPH S.A.
The IT SLA concerns the provision of IT services to Bank BPH S.A. required by Bank BPH S.A. to operate and conduct its business as usual following the transfer of the Bank BPH S.A. IT platform to the Bank as a part of the Bank BPH Core Business. The IT services shall include: (i) services supporting Bank BPH S.A. business processes; (ii) IT process services, (iii) user support services and (iv) *ad hoc* / project services. The Bank shall be obliged to maintain a separate dedicated IT platform to provide services under the IT SLA.
The Ops SLA concerns the provision of a wide scope of administration and operation services related to the servicing of the mortgage portfolio retained by Bank BPH S.A. following the demerger and transfer of the Bank BPH Core Business to the Bank.
Under the Agreements the Bank shall receive reimbursement of the actual costs incurred in relation to the provision of services, calculated in accordance with the agreed methodology (the "Costs"). Additionally, each year the Bank shall receive a fee paid in 12 instalments. In the case of the IT SLA, the yearly fee has been fixed in the amount of PLN 1 960 000. In the case of the Ops SLA, the yearly fee shall be equal to 10% of the Costs incurred in a given year (margin based fee). Due to the variable amount of the Costs borne and the Bank's prediction that the value of the annual fee under Ops SLA in future years will gradually decrease compared to the fee for the first year in which the Ops SLA is in force (as a result of the Cost optimization), it is not possible to precisely determine the amount of the fee for the entire term of the Agreements.
The Bank's fee may be subject to variation depending on the actual performance of the service under the Agreements. Should the Bank exceed the agreed service levels, the yearly fee may be subject to increases up to twice its amount. In the case of a failure to achieve the agreed service levels, contractual penalties will be imposed and the Bank's fee may be subject to a decrease of up to no more than the amount of the yearly fee.
The services under the Agreements will be provided as of the date of the registration of the demerger and the transfer of the Bank BPH Core Business to the Bank (the "Effective Date"). In case of the Ops SLA, the condition precedent of the entry of the agreement into force is either a Polish Financial Supervision Authority permit for the outsourcing of the services covered by the Ops SLA by Bank BPH S.A. to the Bank or a letter of comfort from the Polish Financial Supervision Authority that such permit is not required.
Both Agreements were concluded for a limited period of time and shall expire upon the earlier of: (i) the full settlement of the Bank BPH S.A. mortgage receivables; or (ii) 30 (thirty) years following the Effective Date. Each agreement may be terminated earlier by either party in the circumstances set out therein such as e.g.: (a) with respect to Bank BPH S.A., in the case of: (i) a change of control over Bank BPH S.A. understood also as a sale of 50% of the portfolio mortgage receivables; (ii) the Bank's default under the Agreement which is irremediable; (iii) receipt of a bona fide offer to assume the services covered by a given agreement from a third party, provided however that such termination may not take place before 31 December 2018; (iv) an increase in the Costs of 15% (other than as a result of compliance with the regulatory requirements or changes in the applicable law) compared to the level of Costs for the first year of providing the services under a given agreement; (b) with respect to the Bank, in the case of: (i) Bank BPH S.A's default under the Agreement which is not remedied within a period of 30 days; (ii) submission of a termination notice regarding the second Agreement.

Termination of the Share Sale and Demerger Agreement

The Share Sale and Demerger Agreement may be terminated by each of the parties if the parties do not agree to their extension.
Additionally, the Share Sale and Demerger Agreement may be terminated in specific instances indicated therein, such as for example loss of banking licences by Bank BPH or the Bank.
Bank BPH Sellers have undertaken with respect to the Bank that as at the Demerger Date the Core Business of Bank BPH will have a total equity ratio which will comprise exclusively shareholders' equity ("CET1 of Bank BPH Core Business") at a level of 13.25%. If before the Demerger Date amendments are made to the legal regulations or accounting standards in respect of mortgage loans in foreign currencies or another event occurs in the banking sector which may be reasonably expected to have an unfavourable impact on Bank BPH and, in consequence, would lead to a drop in the CET1 of Bank BPH Core Business below 13.25% as at the expected Demerger Date, Bank BPH Sellers have undertaken to restore CET1 of Bank BPH's Core Business, among other things, through injecting capital to Bank BPH to the amount agreed in the Share Sale and Demerger Agreement. If a higher amount is required, Bank BPH Sellers may either restore CET1 of Bank BPH's Core Business or resign from this and terminate the Share Sale and Demerger Agreement. In the event of no action on the part of Bank BPH Sellers, the Bank will be entitled to terminate the Share Sale and Demerger Agreement.

Compensation for termination of the Share Sale and Demerger Agreement
The Bank undertook to make every effort to ensure that the terms and conditions specified in the Share Sale and Demerger Agreement are fulfilled. Those conditions relate to: passing the Capital Increase Resolution and the Demerger Resolution by the General Meeting and registering the Bank's share capital increase based on the Capital Increase Resolution by the court. If the Share Sale and Demerger Agreement is terminated as a result of the non-fulfillment of those terms and conditions within the set deadlines, the Bank will be obliged to pay to GEIP a fee of EUR 16 000 000 plus VAT, if payable. If the Bank does not make every effort to fulfill those terms and conditions, the fee will not constitute the exclusive compensation available to Bank BPH Sellers and will be accounted for as part of the compensation payable by the Bank.

Comfort Letter
On 31 March 2016, the Bank was informed by its significant shareholder, PZU, that on 31 March 2016, in connection with signing and exercising the Share Sale and Demerger Agreement, at the Bank's request PZU issued a Comfort Letter to Bank BPH Sellers, based on which PZU undertook (among other things), in recognition of all regulatory requirements or PFSA requests, to: (i) vote from all the Bank's shares held directly on the date of issuance of the Comfort Letter(i.e. 25.19% of the Bank's share capital) or on the date of the General Meeting convened in connection with the Transaction (depending on which of the amounts is larger) for passing the Capital Increase Resolution and the Demerger Resolution by the said General Meeting; (ii) sign and pay up the new issue of the Bank's shares offered under the Rights Offering, in proportion to PZU's current interest in the Bank's share capital, where PZU will in no instance be obliged to subscribe for or take up shares which jointly with PZU's current interest in the Bank (together with related entities whose shares are in the Bank ascribed to PZU in accordance with the respective regulations relating to large blocks of shares in public companies) would constitute over 33% of the total number of shares or votes in the Bank; and (iii) make every effort to obtain, within the deadline compliant with the Share Sale and Demerger Agreement, all regulatory consents (if necessary) required from PZU for the purpose of closing the Transaction by the Bank.

Additionally, PZU undertook, in the period from the issuance of the Comfort Letter to an appropriate final date, not to sell, dispose of or otherwise manage the Bank's shares held directly by PZU on the date of issuance of the Comfort Letter without the consent of Bank BPH Sellers.

Guarantee issued by GE Capital Global Holdings, LLC
Exercising the liabilities of Bank BPH Sellers following from the Share Sale and Demerger Agreement is guaranteed by GE Capital Global Holdings, LLC.

Strategic grounds for the Transaction
The acquisition of the core business of Bank BPH is part of a development strategy Alior Bank, which predicts development based on organic growth and acquisitions, combined with achieving a high return on capital. As a result of the acquisition separated part of Bank BPH, Alior Bank will advance to the 9th position of the largest banks in Poland in terms of assets. The deal will bring Alior Bank to realize the strategic goal of joining the ranks 5-6 largest banks in Poland in the next few years.

40. Events after the balance sheet date

On July 1, 2016. there has been a termination of Insurance Guarantee unfunded credit protection in respect of Bank's selected credit claims portfolio, in accordance with Regulation CRR (the "Guarantee") issued by the PZU ("Guarantor") and granted the Bank counter securing the performance of guarantor's obligations ("Sovereign"). The guarantee was terminated with immediate effect, and the counter-guarantee in 30-day notice period. Termination of counter-guarantee is connected with additional compensation fee in the amount of 1,500 thousand. zł. The Bank will not be obliged to pay compensation for the period after the termination of guarantee and counter-guarantee (without prejudice to payment of the compensation referred in the sentence preceding. In connection with the issuance with subscription rights that took place in June 2016, the Bank has provided the appropriate level of capital allows to continue operating excluding the above contracts.

41. Rating

As part of the preparations for the initial public offering, Alior Bank S.A. promised the Polish Financial Supervision Authority to take immediate action from the start of 2013 to obtain a rating awarded by a renowned international rating agency.
On 5 September 2013, Fitch Ratings Ltd. granted the BB rating with a stable outlook to Alior Bank S.A. The rating remained unchanged in accordance with the assessment made on 12 April 2016.

The Bank's full rating by Fitch
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.

42. Registered audit company

By a resolution dated 4 April 2014, the Supervisory Board elected PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw as the registered auditor to audit the financial statements. The contract for the review of the condensed interim financial statements and audit of the annual financial statements was signed on 6 June 2014. The contract was concluded for the period of performing the services related to the audit of the financial statements for 2014, 2015 and 2016.

Signatures of all Management Board Members

10.08.2016	Wojciech Sobieraj CEO	.... Signature
10.08.2016	Małgorzata Bartler Deputy CEO	.... Signature
10.08.2016	Krzysztof Czuba Deputy CEO	.... Signature
10.08.2016	Joanna Krzyżanowska Deputy CEO	.... Signature
10.08.2016	Witold Skrok Deputy CEO	.... Signature
10.08.2016	Barbara Smalska Deputy CEO	.... Signature
10.08.2016	Katarzyna Sułkowska Deputy CEO	.... Signature

Interim condensed seperate financial statements of the Alior Bank Spółka Akcyjna

for the first half of 2016

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.

Contents

(in PLN '000)

Interim condensed separate income statement

	Note	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2015-30.06.2015	01.01.2015-30.06.2015
Interest income		692 598	1 355 497	637 924	1 150 217
Interest expense		-249 300	-500 031	-232 974	-434 781
Net interest income	**3**	**443 298**	**855 466**	**404 950**	**715 436**
Dividend income		**34**	**34**	**42**	**42**
Fee and commission income		136 912	274 854	126 228	260 387
Fee and commission expense		-60 121	-110 546	-55 678	-97 279
Net fee and commission income	**4**	**76 791**	**164 308**	**70 550**	**163 108**
Trading result	**5**	**72 596**	**130 761**	**71 404**	**135 819**
Net gain (realized) on other financial instruments	**6**	**10 156**	**20 766**	**-226**	**4 345**
Other operating income		16 075	29 946	36 591	49 983
Other operating costs		-18 462	-23 045	-23 063	-28 600
Net other operating income	**7**	**-2 387**	**6 901**	**13 528**	**21 383**
General administrative expenses	**8**	**-281 805**	**-553 361**	**-277 233**	**-516 474**
Impairment losses & provisions	**9**	**-172 007**	**-347 130**	**-172 068**	**-304 139**
Bank tax		**-32 257**	**-52 930**	**0**	**0**
Profit before tax		**114 419**	**224 815**	**110 947**	**219 520**
Income tax	**10**	-29 646	-56 396	-17 114	-41 057
Net profit		**84 773**	**168 419**	**93 833**	**178 463**
Net profit		**84 773**	**168 419**	**93 833**	**178 463**
Weighted average number of ordinary shares		**77 057 482**	**74 882 473**	**72 537 391**	**71 468 543**
Basic earnings per share	**11**	**1,10**	**2,25**	**1,29**	**2,50**
Diluted earnings per share (in PLN)	**11**	**1,06**	**2,16**	**1,24**	**2,39**

Interim condensed separate statement of comprehensive income

	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2015-30.06.2015	01.01.2015-30.06.2015
Net profit	**84 773**	**168 419**	**93 833**	**178 463**
Items that may be reclassified to profit or loss	**-25 886**	**-18 495**	**-56 628**	**-44 150**
Net gains/losses on financial assets available for sale	-16 950	-7 863	-19 419	-14 168
Profit/loss on valuation of financial assets available for sale	-20 925	-9 707	-23 974	-17 491
Deferred tax	3 975	1 844	4 555	3 323
Net gain on hedging derivatives	-8 936	-10 632	-37 209	-29 982
Net gain on valuation of hedging derivatives	-11 033	-13 126	-45 937	-37 015
Deferred tax	2 097	2 494	8 728	7 033
Total comprehensive income, net	**58 887**	**149 924**	**37 205**	**134 313**

The notes presented on pages 8-36 constitute an integral part of these interim condensed financial statements.

(in PLN '000)

Interim condensed separate statement of financial position

ASSETS	Note	As at 30.06.2016	As at 31.12.2015
Cash and balances with the Central Bank	12	725 871	1 750 135
Financial assets held for trading	21	402 487	390 569
Available-for-sale financial assets	13	8 504 932	4 253 119
Hedging derivatives financial instruments	22	53 661	139 578
Amounts due from banks	15	1 334 279	642 540
Loans and advances to customers	14	34 162 628	30 913 990
Assets pledged as collateral	28	563 369	628 332
Property, plant and equipment		216 615	227 633
Intangible assets		356 203	379 820
Investments in subsidiaries		53 147	21 975
Non-current assets held for sale		696	888
Income tax asset	11	339 618	274 015
Deferred		339 618	274 015
Other assets	16	339 434	386 825
TOTAL ASSETS		**47 052 940**	**40 009 419**

LIABILITIES AND EQUITY	Note	As at 30.06.2016	As at 31.12.2015
Financial liabilities held for trading	21	298 896	310 180
Amounts due to banks	18	1 016 514	1 051 028
Amounts due to customers	17	37 992 864	33 674 676
Provisions	19	11 536	9 801
Other liabilities	20	734 712	526 393
Income tax liabilities		18 781	21 776
Current		18 781	21 776
Subordinated loans		1 165 450	896 298
Total liabilities		**41 238 753**	**36 490 152**
Equity	23	**5 814 187**	**3 519 267**
Share Capital		1 292 577	727 075
Supplementary Capital		4 171 577	2 280 668
Revaluation reserve		-3 280	15 215
Other reserves		184 894	184 894
Profit of current period		168 419	311 415
TOTAL LIABILITIES AND EQUITY		**47 052 940**	**40 009 419**

The notes presented on pages 8-35 constitute an integral part of these interim condensed financial statements

(in PLN '000)

Interim condensed separate statement of changes in equity

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**	**184 894**	**15 215**	**0**	**311 415**	**3 519 267**
Transfer of the previous year result	-	-	-	-	**311 415**	**-311 415**	-
Comprehensive income	-	-	-	**-18 495**	-	**168 419**	**149 924**
Net profit	-	-	-	-	-	168 419	168 419
Other comprehensive income	-	-	-	-18 495	-	-	-18 495
Transfer of net profit to capital	-	**311 415**	-	-	**-311 415**	-	-
Share issue	**565 502**	**1 579 494**	-	-	-	-	**2 144 996**
As at 30 June 2016	**1 292 577**	**4 171 577**	**184 894**	**-3 280**	**0**	**168 419**	**5 814 187**

1.01.2015 - 30.06.2015	Share capital	Supplementary Capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Total equity
As at 1 January 2015	**699 784**	**1 775 397**	**184 167**	**21 426**	**0**	**337 030**	**3 017 804**
Transfer of the previous year result	-	**337 030**	-	-	**0**	**- 337 030**	**0**
Comprehensive income	-	-	-	**-44 150**	-	**178 463**	**134 313**
Net profit	-	-	-	-	-	178 463	**178 463**
Other comprehensive income	-	-	-	-44 150	-	-	**-44 150**
Share-based payments	-	-	**1 754**	-	-	-	**1 754**
Distribution of prior year result	**27 028**	**166 890**	-	-	-	-	**193 918**
As at 31 June 2015	**726 812**	**2 279 317**	**185 921**	**-22 724**	-	**178 463**	**3 347 789**

The notes presented on pages 8-35 constitute an integral part of these interim condensed financial statements.

(in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Operating activities		
Profit before tax	**224 815**	**219 520**
Adjustments:	**-3 811 923**	**769 303**
Unrealized foreign exchange gains/losses	1 980	-1 249
Amortization/depreciation of tangible and intangible assets	46 064	86 306
Change in tangible and intangible assets impairment write-down	12 241	3 190
Change in provisions	1 735	4 944
Share-based payments	0	1 771
Change in loans and receivables	-4 158 201	-1 709 535
Change in financial assets available for sale	-4 251 813	256 138
Change in financial assets held for trading	-11 918	49 348
Change in assets pledged as collateral	64 963	-568 254
Change in hedging asset derivatives	85 917	30 760
Change in non-current assets held for sale	192	-971
Change in subsidiaries	-31 172	0
Change in other assets	47 391	38 521
Change in deposits	4 284 973	1 692 645
Change in issued debt and subordinated liabilities	78 868	537 476
Change in financial liabilities held for trading	-11 284	-25 265
Change in hedging liabilities derivatives	0	6 110
Change in other liabilities and other comprehensive income	148 979	440 395
Income tax paid	-120 838	-73 027
Net cash flow from (used in) operating activities	**-3 587 108**	**988 823**
Investing activities		
Outflows:	**-43 687**	**-427 069**
Purchase of property, plant and equipment	-16 709	-31 362
Purchase of intangible assets	-26 978	-49 952
Purchase of shares in subsidiaries, net of cash acquired	0	-330 705
Acquisition of shares in a newly established company	0	-15 050
Inflows:	**3 746**	**310**
Disposal of property, plant, intangible assets and equipment	3 746	310
Net cash used in investing activities	**-39 941**	**-426 759**
Financing activities		
Outflows:	**-24 113**	**-198 549**
Repayment of long-term liabilities	0	-184 216
Interest expense – subordinated loan	-24 113	-14 333
Inflows:	**2 409 074**	**386 868**
Inflows from share issue	2 144 996	193 918
Inflows from the issuance of subordinated liabilities	264 078	192 950
Net cash flow from financing activities	**2 384 961**	**188 319**
Total net cash flow	**-1 242 088**	**750 383**
incl. exchange gains/(losses)	**6 099**	**5 333**
Balance sheet change in cash and cash equivalents	**-1 242 088**	**750 383**
Cash and cash equivalents, opening balance	2 202 212	1 456 273
Cash and cash equivalents, closing balance	960 124	2 206 656
Additional disclosures on operating cash flows		
Interest income received	1 508 561	849 922
Interest expense paid	-460 569	-255 811

1. Basis for preparation

Scope and comparatives

The condensed interim separate financial statements of Alior Bank S.A. comprise the data of the Bank and cover the 6-month and 3-month period ended 30 June 2016 and the comparatives for the 6-month and 3-month period ended 30 June 2015 (in the scope of 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 2015 (in the scope of consolidated statement of financial position and consolidated statement of changes in equity). The condensed interim consolidated financial statements have been prepared in Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

As at the end of 2015, the Group decided to change the presentation of the net interest income on IRS. Since December 2015, interest income and expenses relating to making and accepting deposits as part of IRS transactions are presented in net interest income/(expenses), while as at the end of the first, second and third quarter of 2015 they were presented in the trading result. The purpose of this change was to ensure the consistency of the presented result with its economic substance. Therefore, in these interim condensed separate financial statements for the first half of 2016 were restated comparative data for the first half of 2015 which is shown in the following table:

Interim condensed separate income statement

Items from the income statement	Data from the financial statements as at 30.06.2015		Change		Restated data 30.06.2015	
	Period 01.04.2015-30.06.2015	Period 01.01.2015-30.06.2015	Period 01.04.2015-30.06.2015	Period 01.01.2015-30.06.2015	Period 01.04.2015-30.06.2015	Period 01.01.2015-30.06.2015
Interest income	566 579	1 003 588	71 345	146 629	637 924	1 150 217
Interest expense	-161 344	-289 003	-71 630	-145 778	-232 974	-434 781
Net interest income	**405 235**	**714 585**	**-285**	**851**	**404 950**	**715 436**
Trading result	**71 119**	**136 670**	**285**	**-851**	**71 404**	**135 819**

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the first half of 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union as of 30 June 2016.

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 2016 to 30 June 2016, and interim condensed separate statement of financial position as at 30 June 2016, 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 2016.

(in PLN '000)

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 2016.
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 S.A. for the period from 1 January to 31 December 2015, published on 3 March 2016 and available on the Alior Banku S.A. website, except for the changes described in Note 2.2 to the interim condensed consolidated financial statements.

Notes to the interim condensed separate income statement

3. Separate net interest income

3.1. Net interest income by entity	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest income	**1 355 497**	**1 150 217**
financial sector	217 724	199 053
non-financial sector	1 091 567	918 507
central and local government institutions	46 206	32 657
Interest expense	**-500 031**	**-434 781**
financial sector	-257 134	-238 725
non-financial sector	-238 851	-194 331
central and local government institutions	-4 046	-1 725
Net interest income	**855 466**	**715 436**

3.2. Net interest income by product	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Interest income	**1 355 497**	**1 150 217**
Interest income from financial instruments measured at amortized cost including the effective interest rate method	1 124 171	936 679
term deposits	819	0
loans	1 050 236	876 608
financial assets available for sale	58 284	44 354
receivables acquired	11 889	13 864
other	2 943	1 853
Other interest income	231 326	213 538
current accounts	8 548	7 549
overnight deposits	334	600
derivatives	222 444	205 389
Interest expense	**-500 031**	**-434 781**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-282 262	-228 878

(in PLN '000)

term deposits	-213 807	-169 071
repo transactions in securities	-6 099	-10 009
cash deposits	-2 240	-636
own issue	-59 052	-47 673
other	-1 064	-1 489
Other interest expense	-217 769	-205 903
current deposits	-16 012	-21 270
hedging derivatives	-201 757	-184 633
Net interest income	**855 466**	**715 436**

4. Separate net fee and commission income

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Fee and commission income	**274 854**	**260 387**
brokerage commissions	31 012	33 151
payment cards	49 155	41 893
revenue from bancassurance activity	49 764	45 001
loans and advances	27 872	34 373
accounts maintenance	51 678	39 850
transfers	18 281	17 862
remittances and withdrawals services	10 938	10 227
acquired receivables	4 068	6 662
guarantees, letters of credit, collections, promises	7 213	7 432
other commissions	24 873	23 936
Fee and commission expense	**-110 546**	**-97 279**
brokerage commissions	-1 512	-1 842
costs of card transactions and ATM , including costs of payment card issue	-32 865	-28 075
insurance of bank products	-12 294	-12 308
commissions for ATM sharing	-10 351	-11 318
fees paid under service agreements	-5 212	-4 752
compensation and awards to customers	-11 412	-8 242
commissions paid to agents	-12 574	-9 603
assistance services	-2 007	-2 110
costs of customers acquisition	-3 965	-2 873
other commissions	-18 354	-16 156
Net fee and commission income	**164 308**	**163 108**

The Bank does not engage in trust activities.

5. Separate trading result

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
FX transactions	106 038	103 354
Interest rate transactions	22 546	32 703
Ineffective part of hedge accounting	184	-225
Other instruments	1 993	-13
Trading result	**130 761**	**135 819**

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, net interest income on CIRS transactions and result on interest rate options (CAP/FLOOR).

(in PLN '000)

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.

6. Separate net result realized on other financial instruments

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Available- for- sale financial assets	20 260	4 574
Own issue	505	-229
repurchase income	542	259
repurchase losses	-37	-488
Investment certificates	1	0
Net result realized on other financial instruments	**20 766**	**4 345**

7. Separate net other operating income

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Other operating income from:	**29 946**	**49 983**
management of third party assets	3 162	2 178
received compensations, fines and penalties	41	135
income from contracts with business partners	2 194	9 676
sale of debt	0	8 109
reimbursement of costs of claim enforcement	10 925	10 769
reimbursement of fees by customers	8 098	8 296
received compensations	1 334	263
other	4 192	10 557
Other operating expenses due to:	**-23 045**	**-28 600**
management of third party assets	-744	-903
paid compensations, fines and penalties	-426	-2 002
awards given to customers	-486	-270
paid compensations, settlements, complaints	-2 655	-12 309
fees and costs of claim enforcement	-5 080	-4 841
other	-13 654	-8 275
Net other operating income and expense	**6 901**	**21 383**

8. Separate general administrative expenses

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Payroll costs	**-296 344**	**-275 457**
remuneration due to employment contracts	-248 262	-224 280
remuneration surcharges	-44 762	-43 825
share-based payments	0	-1 754
other	-3 320	-5 598
General and administrative costs	**-206 510**	**-198 384**
IT costs	-24 762	-20 963
lease and building maintenance expenses	-63 557	-72 905
marketing costs	-21 461	-25 292
training costs	-10 431	-4 770
cost of advisory services	-19 660	-10 101
costs of Banking Guarantee Fund	-37 302	-29 675
lease of property, plant and equipment and intangible assets	-1 849	-1 562
costs of telecommunications services	-6 299	-7 973
external services	-10 939	-12 999
other	-10 250	-12 144
Amortization and depreciation	**-46 064**	**-39 872**

(in PLN '000)

property, plant and equipment	-28 201	-23 363
intangible assets	-17 863	-16 509
Taxes and fees	**-4 443**	**-2 761**
Total general administrative expenses	**-553 361**	**-516 474**

9. Separate net impairment allowance and write-downs

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Impairment losses on impaired loans and advances to customers	-319 338	-310 961
financial sector	-1 206	-3 013
non-financial sector	-318 132	-307 948
retail customers	-208 195	-208 287
business customers	-109 937	-99 661
Debt securities	-6 974	0
IBNR for customers without impairment losses	-7 190	13 993
financial sector	656	137
non-financial sector	-7 846	13 856
retail customers	-13 639	13 445
business customers	5 793	411
Off-balance reserve	-1 386	961
Property, plant and equipment and intangible assets	-12 242	-8 132
Net impairment allowance and write-downs	**-347 130**	**-304 139**

10. Separate corporate income tax

10.1 Presented in the income statement	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Current tax	117 661	69 008
current year	117 661	69 008
Prior year tax adjustment	-61 265	-27 951
origination and reversal of temporary differences	-61 265	-27 951
Accounting tax recognized in the income statement	**56 396**	**41 057**

10.2 Effective tax rate calculation	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Profit before tax	**224 815**	**219 520**
Income tax at 19%	**42 715**	**41 709**
Non-tax deductible expenses	**14 614**	**7 156**
Representation costs	85	68
PFRON	557	572
Impairment losses on loans in the part not covered with deferred tax	41	532
Prudential charge to BFG	2 270	2 860
The tax on financial institutions	10 057	0
Provisions for management options	0	333
Other	1 604	2 791
Non-taxable revenues	**-933**	**-6 140**
Release of loan impairment allowances in the part not covered with the deferred tax	-2	-71
Other	-931	-6 069
Tax deductible expenses not being accounting expenses	**0**	**-1 668**
Accounting tax recognized in the income statement	**56 396**	**41 057**
Effective tax rate	**25,09%**	**18,70%**

(in PLN '000)

11. Earnings per share

	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Net profit	168 419	178 463
Weighted average number of ordinary shares	74 882 473	71 468 543
Share options	2 979 272	3 139 189
Adjusted weighted average number of shares	77 861 745	74 607 732
Net earnings per ordinary share (PLN)	**2,25**	**2,50**
Dilluted earnings per one share	**2,16**	**2,39**

Notes to the interim condensed separate statement of financial position

12. Cash and balances with the Central Bank

	As at 30.06.2016	As at 31.12.2015
Current account with the Central Bank	533 465	1 559 981
Cash	192 406	190 154
Cash and balances with the central bank	**725 871**	**1 750 135**

13. Available-for-sale financial assets

13.1 By type	As at 30.06.2016	As at 31.12.2015
Debt instruments	**8 488 621**	**4 239 445**
issued by the State Treasury	5 891 012	3 773 380
T-bonds	5 891 012	3 773 380
issued by monetary institutions	2 145 128	0
Eurobonds	45 128	0
money bills	2 100 000	0
issued by other financial institutions	156 917	176 995
bonds	60 603	60 486
Eurobonds	96 314	116 509
issued by companies	295 564	289 070
bonds	295 564	289 070
Equity instruments	**16 311**	**13 674**
Available-for-sale financial assets	**8 504 932**	**4 253 119**

13.2 By maturity	As at 30.06.2016	As at 31.12.2015
without set maturity date	16 311	13 675
≤ 1M	2 212 003	0
> 1M ≤ 3M	16 979	17 088
> 3M ≤ 6M	594 014	254 486
> 6M ≤ 1Y	1 444 112	366 016
> 1Y ≤ 2Y	1 077 696	1 134 855
> 2Y ≤ 5Y	2 247 684	1 940 564
> 5Y ≤ 10Y	896 133	526 435
Available-for-sale financial assets	**8 504 932**	**4 253 119**

(in PLN '000)

13.3 Impairment allowance on debt instruments	As at 30.06.2016		As at 31.12.2015	
	Gross amount	Impairment allowance	Gross amount	Impairment allowance
Bonds issued by companies	93 556	21 446	101 122	14 472

13.4 Change in the balance of debt instruments impairment allowances	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Opening balance	14 472	6 491
Changes during the year:	6 974	0
Increases	6 981	0
Decreases	-7	0
Impairment allowances at the end of the period	**21 446**	**6 491**

The schedules below show the hierarchy of the measurement methods of available-for-sale financial assets measured at fair value as at 30 June 2016 and comparative data as at 31 December 2015.

In accordance with IFRS 13, the Bank 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 second quarter of 2016, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 112 thousand.

(in PLN '000)

In the period from 1 January to 30 June 2016 there were no transfers between levels of the hierarchy.

13.5 Fair value	As at 30.06.2016	As at 31.12.2015
Level 1	**5 987 326**	**3 889 889**
T-bonds	5 891 012	3 773 380
Other bonds	96 314	116 509
Level 2	**2 100 000**	**0**
Money bills	2 100 000	0
Level 3	**417 606**	**363 230**
Equity instruments	16 311	13 674
Other bonds	401 295	349 556
Valuation of available for sale financial assets by level 3 at the end of the period	**8 504 932**	**4 253 119**

13.6 Movements on financial assets available for sale classified as level 3	1.01.2016-30.06.2016	1.01.2015-30.06.2015
Opening balance	**363 230**	**374 601**
Increases, including	**86 872**	**49 326**
Acquisition	86 837	48 261
Fair value adjustment	0	420
Foreign exchange differences	35	645
Decreases, including	**-32 496**	**-42 760**
Sale	-23 050	-42 550
Other changes recognised in income statement	-9 253	-210
Fair value adjustment	-193	0
Financial assets available for sale classified as level 3 at the end of the period	**417 606**	**381 167**

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.

14. Loans and advances to customers

14.1 By type	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
Working capital facility	165 482	167 635
Consumer loans	9 435 666	8 699 017
Consumer finance loans	959 226	748 948
Loans for purchase of securities	124 393	119 069
Credit card borrowings loans	237 258	225 629
Loans for residential real estate	7 631 468	6 717 911
Other mortgage loans	808 832	896 008
Other receivables	21 462	21 097
Corporate segment	**14 778 841**	**13 318 676**
Working capital facility	8 050 662	7 361 826
Car loans	51 854	70 394
Investment loans	6 108 809	5 487 618
Acquired receivables (factoring)	533 620	376 403
Other receivables	33 896	22 435
Loans and advances to customers	**34 162 628**	**30 913 990**

(in PLN '000)

14.2 By gross amounts and carrying amounts	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
Loans for residential real estate	7 631 468	6 717 911
unimpaired	7 496 826	6 593 746
impaired	200 075	189 075
IBNR	-3 138	-4 811
Impairment allowance	-62 295	-60 099
Consumer finance loans	959 226	748 947
unimpaired	946 766	737 841
impaired	55 249	50 221
IBNR	-1 764	-1 456
Impairment allowance	-41 025	-37 659
Other retail loans	10 793 093	10 128 456
unimpaired	10 368 422	9 732 180
impaired	1 646 794	1 378 919
IBNR	-136 032	-120 367
Impairment allowance	-1 086 091	-862 276
Corporate segment	**14 778 841**	**13 318 676**
unimpaired	14 008 742	12 741 034
impaired	1 731 990	1 428 322
IBNR	-32 855	-39 248
Impairment allowance	-929 036	-811 432
Loans and advances to customers	**34 162 628**	**30 913 990**

14.3 Receivables from customers impaired	As at 30.06.2016	As at 31.12.2015
Receivables from customers individually assessed	**631 051**	**546 026**
Retail segment	**1 040**	**9 512**
Amounts due from customers	9 247	87 157
Impairment allowance	-8 207	-77 645
Corporate segment	**630 011**	**536 514**
Amounts due from customers	1 271 587	1 095 419
Impairment allowance	-641 576	-558 905
Receivables from customers collectively assessed	**884 610**	**729 045**
Retail segment	**711 667**	**648 669**
Amounts due from customers	1 892 871	1 531 058
Impairment allowance	-1 181 204	-882 389
Corporate segment	**172 943**	**80 376**
Amounts due from customers	460 403	332 903
Impairment allowance	-287 460	-252 527
Receivables from customers impaired	**1 515 661**	**1 275 071**

14.4 Change in the balance of receivables impairment allowances and IBNR	01.01.2016-30.06.2016	01.01.2015-30.06.2015
Opening balance	1 937 348	1 289 770
Changes due to the acquisition of a subsidiary	0	415 028
Changes during the year:	326 528	296 968
Increases	946 423	1 309 104
Retail segment	710 043	1 086 879

(in PLN '000)

Corporate segment	236 380	222 225
Decreases	-619 895	-1 012 136
Retail segment	-488 209	-892 037
Corporate segment	-131 686	-120 099
Transfer to costs	-3 944	-408 165
Other changes including aquisition of SKOK	32 304	417
Impairment allowances and IBNR at the end of the period	**2 292 236**	**1 594 018**

14.5 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
≤ 1M	2 147 100	2 013 348
> 1M ≤ 3M	423 784	389 891
> 3M ≤ 6M	660 363	547 084
> 6M ≤ 1Y	1 069 223	1 007 076
>1Y ≤ 2Y	1 696 574	1 534 368
>2Y ≤ 5Y	3 788 598	3 473 595
>5Y ≤ 10Y	4 047 428	3 554 046
>10Y ≤ 20Y	3 123 366	2 819 119
>20Y	2 427 351	2 256 787
Corporate segment	**14 778 841**	**13 318 676**
≤ 1M	5 792 548	4 798 766
> 1M ≤ 3M	659 665	759 175
> 3M ≤ 6M	633 429	593 919
> 6M ≤ 1Y	986 275	1 141 133
>1Y ≤ 2Y	1 245 208	1 303 699
>2Y ≤ 5Y	2 700 595	2 286 486
>5Y ≤ 10Y	1 959 281	1 820 024
>10Y ≤ 20Y	801 840	615 474
Amounts due from customers	**34 162 628**	**30 913 990**

14.6 By currency	As at 30.06.2016	As at 31.12.2015
Retail segment	**19 383 787**	**17 595 314**
PLN	17 989 362	16 343 892
EUR	1 029 100	933 316
GBP	161 437	124 376
USD	26 887	20 706
CHF	176 998	173 018
Other	3	6
Corporate segment	**14 778 841**	**13 318 676**
PLN	11 852 559	10 675 538
EUR	2 786 566	2 542 871
GBP	3 100	5 210
USD	105 276	61 924
CHF	31 340	33 133
Total receivables	**34 162 628**	**30 913 990**

14.7 Ten largest credit exposures	Currency	As at 30.06.2016
Company 1	EUR,PLN	259 766
Company 2	EUR,PLN	246 228

(in PLN '000)

Company 3	EUR	240 555
Company 4	PLN	184 147
Company 5	EUR	146 099
Company 6	EUR,PLN	146 052
Company 7	EUR,PLN	145 219
Company 8	PLN	127 415
Company 9	PLN	119 931
Company 10	EUR	115 409

14.8 Ten largest credit exposures	Currency	As at 31.12.2015
Company 1	EUR	242 414
Company 2	EUR	234 544
Company 3	PLN	149 776
Company 4	EUR,GBP,PLN	144 458
Company 5	EUR	129 233
Company 6	PLN	123 952
Company 7	PLN	120 873
Company 8	EUR	113 248
Company 9	PLN	112 744
Company 10	PLN	97 351

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

15. Amounts due from banks

15.1 By type	As at 30.06.2016	As at 31.12.2015
Current accounts	165 759	339 131
Overnight Deposits (O/N)	55 816	0
Term deposits	12 409	113 062
Deposits as derivative transactions (ISDA) collateral	171 871	171 406
BSB	912 499	0
Other	15 925	18 941
Amounts due from banks	**1 334 279**	**642 540**

15.2 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
≤ 1M	1 334 279	642 345
> 1M ≤ 3M	0	90
> 3M ≤ 6M	0	105
Amounts due from banks	**1 334 279**	**642 540**

15.3 By currency	As at 30.06.2016	As at 31.12.2015
PLN	928 374	25 810
EUR	232 474	126 831
GBP	34 488	86 572
USD	84 760	183 566
CHF	10 536	75 986
Other currencies	43 647	143 775
Amounts due from banks	**1 334 279**	**642 540**

(in PLN '000)

Forward repo/reverse repo transactions are concluded by the Bank to optimize current liquidity management; therefore, they are classified exclusively to the banking portfolio. Occasional transactions appearing in the trading book result from risk-free arbitrage. Repo and reverse repo transactions are short-term and mature not later than within one month; they are concluded mainly in PLN, or, much less frequently, in EUR and USD. Net balances of repo and reverse repo transactions which mature within one month are included in the Bank's liquidity buffer (liquid assets).

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

16. Other assets

16.1 Other assets	As at 30.06.2016	As at 31.12.2015
Sundry debtors	**256 003**	**363 771**
Other settlements	83 718	90 154
Receivables related to the sale of goods and services (including insurance)	71 328	113 114
Guarantee deposits	11 861	11 813
Settlements of payment cards	89 096	148 690
Deferred costs	**40 859**	**34 504**
Settlements of rental charges and utilities	2 163	1 484
Reimbursement of lump sum costs incurred by the insurer in connection with the Bank's insurance activities	0	4 330
Maintenance and support of systems, servicing of plant and equipment	9 390	0
Other deferred costs	29 306	28 690
Estimated subsidy from BFG due to aquisition of SKOK	**62 065**	**0**
Settlements of VAT	**10 892**	**17 239**
Other assets (brutto)	**369 819**	**415 514**
Impairment allowances	-30 385	-28 689
Other assets (netto)	**339 434**	**386 825**
including financial assets	318 068	363 771

16.2 Change in the balance of other assets impairment allowances	1.01.2016-30.06.2016	1.01.2015-31.03.2015
Opening balance	28 689	7 204
Change due to purchase of subordinate entity	0	11 453
Changes during the year:	1 696	11 779
Increases	1 197	11 918
Decreases	499	-139
Impairment allowances at the end of the period	**30 385**	**30 436**

17. Amounts due to customers

17.1 By type	As at 30.06.2016	As at 31.12.2015
Current deposits	13 953 688	12 481 435
Term deposits	21 335 147	18 541 682
Own issue of Banking Securities	2 338 098	2 259 230
Other liabilities	365 931	392 329

(in PLN '000)

Total amounts due to customers	**37 992 864**	**33 674 676**

17.2 By customer type and segment	**As at 30.06.2016**	**As at 31.12.2015**
Retail segment	**24 557 685**	**21 409 075**
Current deposits	9 895 455	8 485 256
Term deposits	14 356 779	12 666 033
Banking securities issued	83 652	54 280
Other liabilities	221 799	203 506
Corporate segment	**13 435 179**	**12 265 601**
Current deposits	4 058 233	3 996 179
Term deposits	6 978 368	5 875 649
Banking securities issued	2 254 446	2 204 950
Other liabilities	144 132	188 823
Total amounts due to customers	**37 992 864**	**33 674 676**

17.3 By maturity (as at the balance sheet date)	**As at 30.06.2016**	**As at 31.12.2015**
Retail segment	**24 557 685**	**21 409 075**
≤ 1M	13 326 041	11 358 478
> 1M ≤ 3M	4 214 973	4 296 204
> 3M ≤ 1Y	5 237 482	5 122 282
> 1Y ≤ 5Y	1 769 510	622 687
>5Y	9 679	9 424
Corporate segment	**13 435 179**	**12 265 601**
≤ 1M	8 250 304	7 729 311
> 1M ≤ 3M	1 601 957	1 343 848
> 3M ≤ 1Y	1 782 663	1 326 868
> 1Y ≤ 5Y	1 724 060	1 858 131
>5Y	76 195	7 443
Total amounts due to customers	**37 992 864**	**33 674 676**

17.4 By currency	**As at 30.06.2016**	**As at 31.12.2015**
Retail segment	**24 557 685**	**21 409 075**
PLN	21 046 373	18 622 111
EUR	1 779 339	1 356 917
GBP	330 775	236 508
USD	1 207 466	1 010 704
CHF	86 221	70 709
Other	107 511	112 126
Corporate segment	**13 435 179**	**12 265 601**
PLN	12 108 457	10 967 006
EUR	936 030	968 998
GBP	63 776	42 636
USD	259 736	255 253
CHF	11 212	8 159
Other	55 968	23 549
Total amounts due to customers	**37 992 864**	**33 674 676**

17.5.1 Ten largest depositors (without banks)	**Currency**	**As at 30.06.2016**
Company 1	PLN	300 132
Company 2	EUR, PLN, USD	215 266
Company 3	EUR, PLN, USD	206 594
Company 4	PLN	160 008
Company 5	PLN	120 083
Company 6	PLN	95 523

(in PLN '000)

Company 7	PLN, USD	95 133
Company 8	PLN	79 010
Company 9	EUR, PLN, USD	75 148
Company 10	PLN, USD	74 370

17.5.2 Ten largest depositors (without banks)	Currency	As at 31.12.2015
Company 1	PLN, EUR, USD	212 810
Company 2	PLN	203 355
Company 3	PLN, EUR, USD	175 389
Company 4	PLN	101 339
Company 5	PLN	94 042
Company 6	PLN, USD	92 645
Company 7	PLN	88 692
Company 8	PLN	72 845
Company 9	PLN, EUR, USD	72 606
Company 10	PLN	69 078

18. Amounts due to banks

18.1 By type	As at 30.06.2016	As at 31.12.2015
Current deposits	11 011	11 012
Overnights	200 008	30 701
Term deposits	47 775	197 826
Banking securities issued	20 002	32 666
Other liabilities	141 290	203 262
Repo	596 428	575 561
Total liabilities	**1 016 514**	**1 051 028**

18.2 By maturity (as at the balance sheet date)	As at 30.06.2016	As at 31.12.2015
≤ 1M	996 512	918 074
> 1M ≤ 3M	0	100 288
> 3M ≤ 1Y	20 002	0
> 1Y ≤ 5Y	0	32 666
Total amounts due to banks	**1 016 514**	**1 051 028**

18.3 By currency	As at 30.06.2016	As at 31.12.2015
PLN	919 103	830 987
EUR	22 800	31 401
USD	74 611	178 225
GBP	0	10 415
Total amounts due to banks	**1 016 514**	**1 051 028**

19. Provisions

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 1 January 2016	3 219	1 070	5 512	9 801
Provisions recorded	794	8	9 515	10 317
Provisions released	-284	-54	-8 129	-8 467
Provisions utilized	-27	0	0	-27
Other changes	-340	229	23	-88
As at 30 June 2016	**3 362**	**1 253**	**6 921**	**11 536**

(in PLN '000)

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 1 January 2015	2 513	824	4 974	8 311
Changes due to the acquisition of a subsidiary	705	54	0	759
Provisions recorded	3 617	301	9 551	13 469
Provisions released	-105	-109	-8 992	-9 206
Provisions utilized	-3 399	0	0	-3 399
Other changes	-112	0	-21	-133
As at 30 December 2015	**3 219**	**1 070**	**5 512**	**9 801**

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Provision for restructuring	Total provisions
As at 1 January 2015	2 513	824	4 974	0	8 311
Changes due to the acquisition of a subsidiary	711	54	0	0	765
Provisions recorded	3 138	6	4 139	5 561	12 844
Provisions released	-67	0	-5 100	0	-5 167
Provisions utilized	-2 704	0	0	0	-2 704
Other changes	0	0	-35	0	-35
As at 30 June 2015	**3 591**	**884**	**3 978**	**5 561**	**14 014**

The provision for old age 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 old age or disability allowance which the Bank 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.

20. Other liabilities

	As at 30.06.2016	As at 31.12.2015
Interbank settlements	261 127	183 574
Taxation, customs duty, social and health insurance payables and other public settlements	28 117	25 473
Liabilities in respect of payment card settlements	4 923	4 980
Other settlements	71 377	89 810
including settlements with insurers	27 027	66 941
Settlements of banking certificates of deposits	104 094	680
Accruals	78 136	51 416
Income received in advance	69 181	50 356
Provision for bancassurance resignations	81 086	94 045
Provision for employee benefits	30 743	24 187
Other liabilities	5 928	1 872
Total other liabilities	**734 712**	**526 393**
including financial liabilities	441 521	279 044

(in PLN '000)

Settlements with insurers comprise insurance premiums relating to the cover granted by the Bank to its Customers under one of the group insurance contracts (concluded by the Bank with insurers and offered to its Customers).
There were no such liabilities in respect of which the Bank did not settle its payment liabilities resulting from the contracts concluded as at 30 June 2016 and 31 December 2015.

21. 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 2016 and 31 December 2015. Derivative transactions are concluded for trading purposes and for the purpose of managing market risk. The Bank 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 Bank also enters into option transactions. In accordance with the binding laws, in concluding option transactions, the Bank 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).

21.1 Derivative financial instruments (nominal value)	**As at 30.06.2016**	**As at 31.12.2015**
Interest rate transactions	19 006 864	20 013 372
SWAP	17 263 076	17 249 149
FRA	0	1 000 000
Cap Floor Options	1 743 788	1 764 223
Foreign exchange transactions	7 584 596	6 922 921
FX swap	2 373 791	1 535 293
FX forward	1 851 098	1 881 094
CIRS	2 308 967	2 639 757
FX options	1 050 740	866 777
Other options	4 841 442	4 312 272
Other instruments	558 495	618 590
Derivative financial instruments (nominal value)	**31 991 397**	**31 867 155**

21.2 Financial assets held for trading	**As at 30.06.2016**	**As at 31.12.2015**
Shares	4 592	1 335
Bonds	223	311
Certificates	1 588	1 610
Interest rate transactions	214 580	198 578
SWAP	210 396	193 522
Cap Floor Options	4 184	5 056
Foreign exchange transactions	154 074	132 012
FX swap	35 264	14 713
FX forward	60 386	49 768
CIRS	48 382	58 407
FX options	10 042	9 124
Other options	9 685	34 555

(in PLN '000)

Other instruments	17 745	22 168
Financial assets held for trading	**402 487**	**390 569**

21.3 By maturity	As at 30.06.2016	As at 31.12.2015
Without specified maturity date	6 403	2 953
≤ 1W	23 741	4 266
> 1W ≤ 1M	41 027	35 643
> 1M ≤ 3M	33 382	24 146
> 3M ≤ 6M	24 368	38 524
> 6M ≤ 1Y	18 580	46 351
> 1Y ≤ 2Y	74 943	67 000
> 2Y ≤ 5Y	142 446	131 639
> 5Y ≤ 10Y	37 597	40 047
Financial assets held for trading	**402 487**	**390 569**

21.4 Financial liabilities held for trading	As at 30.06.2016	As at 31.12.2015
Interest rate transactions	189 697	194 355
SWAP	185 505	188 999
FRA	0	289
Cap Floor Options	4 192	5 067
Foreign exchange transactions	82 514	61 849
FX swap	6 818	1 917
FX forward	8 672	7 747
CIRS	56 920	43 058
FX options	10 104	9 127
Other options	9 683	34 555
Other instruments	17 002	19 421
Financial liabilities held for trading	**298 896**	**310 180**

21.5 By maturity	As at 30.06.2016	As at 31.12.2015
≤ 1W	4 403	1 828
> 1W ≤ 1M	20 816	9 134
> 1M ≤ 3M	27 225	17 125
> 3M ≤ 6M	33 376	54 686
> 6M ≤ 1Y	19 577	31 535
> 1Y ≤ 2Y	46 714	47 421
> 2Y ≤ 5Y	110 212	120 159
> 5Y ≤ 10Y	36 573	28 292
Financial liabilities held for trading	**298 896**	**310 180**

The schedule below shows the hierarchy of the measurement methods of financial instruments held for trading measured at fair value as at 30 June 2016 and comparative data as at 31 December 2015.

In accordance with IFRS 13, the Bank classified:

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

(in PLN '000)

- 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 of this level include options embedded in deposit certificates issued by the Bank and options concluded on the interbank market to hedge embedded option positions. The fair value is determined on the basis of an internal model in consideration of both observable parameters (e.g. price of the base instrument, quotations from the secondary option market), and non-observable parameters (e.g. fluctuations, correlations between base instruments in options based on baskets of instruments). Model parameters are set on the basis of statistical analysis. As the market risk position in respect of the specified options is in exact opposition, changes in the adopted model assumptions have no impact on changes in the fair value of the Bank's position in respect of level 3 option transactions. As at 30 June 2016, the change in the valuation of options on the financial assets side due to a 1% increase in the price of the base instrument amounted to PLN 4.8 million and it will be offset exactly by the change in the valuation of the option on the financial liabilities side.

In the period from 1 January to 30 June 2016, there were no movements of financial instruments between the fair value hierarchy levels.

21.6 Valuation of financial assets	As at 30.06.2016	As at 31.12.2015
Level 1	**17 644**	**13 061**
Shares	4 592	1 335
Bonds	223	311
Certificates	1 588	1 610
Other instruments	11 241	9 805
Level 2	**375 158**	**342 953**
SWAP	210 396	193 522
Cap Floor Options	4 184	5 056
FX swap	35 264	14 713
FX forward	60 386	49 768
CIRS	48 382	58 407
FX options	10 042	9 124
Other instruments	6 504	12 363
Level 3	**9 685**	**34 555**
Other options	9 685	34 555
Total financial assets	**402 487**	**390 569**

21.7 Movements on financial assets classified as level 3	01.01.2016-30.06.2016	01.01.2015-30.06.2015

Opening balance	**34 555**	**81 198**
Increases, including	**36 069**	**79 852**
Valuation of derivatives	29 306	13 852
Derivatives transactions	6 763	32 028
Decreases, including	**-60 939**	**-82 958**
Valuation of derivatives	-49 237	-38 270
Derivatives transactions	-11 702	-13 562
Financial assets classified as level 3 at the end of the period	**9 685**	**78 092**

21.8 Valuation of financial liabilities	As at 30.06.2016	As at 31.12.2015
Level 1	**10 160**	**15 716**
Other instruments	10 160	15 716
Level 2	**279 053**	**259 909**
SWAP	185 505	188 999
FRA	0	289
Cap Floor Options	4 192	5 067
FX swap	6 818	1 917
FX forward	8 672	7 747
CIRS	56 920	43 058
FX options	10 104	9 127
Other instruments	6 842	3 705
Level 3	**9 683**	**34 555**
Other options	9 683	34 555
Total financial liabilities	**298 896**	**310 180**

21.9 Movements on financial liabilities classified as level 3	As at 30.06.2016	As at 30.06.2015
Opening balance	**34 555**	**81 198**
Increases, including	**36 067**	**79 852**
Valuation of derivatives	29 304	47 824
Derivatives transactions	6 763	32 028
Decreases, including	**-60 939**	**-82 958**
Valuation	-49 237	-69 396
Settlement / buyout	-11 702	-13 562
Financial liabilities classified as level 3 at the end of the period	**9 683**	**78 092**

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

22. Hedge accounting

The Bank 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 Bank 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.

(in PLN '000)

22.1. Hedging instruments (nominal value)	As at 30.06.2016	As at 31.12.2015
Interest rate transactions-IRS	6 445 000	10 795 000
Hedging instruments (nominal value)	**6 445 000**	**10 795 000**

22.2. Financial assets held for trading-hedging instruments	As at 30.06.2016	As at 31.12.2015
Level 2	53 661	139 578
Interest rate transactions-IRS	53 661	139 578
Financial assets held for trading-hedging instruments	**53 661**	**139 578**

22.3. By maturity	As at 30.06.2016	As at 31.12.2015
> 1W ≤ 1M	4 718	0
> 1M ≤ 3M	4 471	2 608
> 3M ≤ 6M	4 574	62 334
> 6M ≤ 1Y	13 512	3 262
> 1Y ≤ 2Y	20 090	47 062
> 2Y ≤ 5Y	6 296	24 312
Financial assets held for trading-hedging instruments	**53 661**	**139 578**

22.4 Nominal value of hedging instruments by maturity

Instrument type	Nominal value as at 30 June 2016				
	within 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	Total
IRS PLN FIXED - FLOAT	300 000	250 000	2 685 000	3 210 000	6 445 000

Instrument type	Nominal value as at 31 December 2015				
	within 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	Total
IRS PLN FIXED - FLOAT	-	100 000	6 060 000	4 635 000	10 795 000

23. Equity

23.1 Equity	As at 30.06.2016	As at 31.12.2015
Share capital	1 292 577	727 075
Supplementary capital	4 171 577	2 280 668
Other capital	184 894	184 894
Revaluation reserve	-3 280	15 215
On measurement of available for sale assets	-14 687	-6 824
On measurement of hedging derivatives	11 407	22 039
Profit for the year	168 419	311 415
Total equity	**5 814 187**	**3 519 267**

23.2 Revaluation reserve	As at 30.06.2016	As at 31.12.2015
Valuation of financial assets available for sale	-14 687	-6 824

(in PLN '000)

treasury bonds	-18 132	-8 102
other bonds	0	-323
deferred tax	3 445	1 601
Valuation of hedging instruments	11 407	22 039
IRS	14 083	27 209
deferred tax	-2 676	-5 170
Revaluation reserve	**-3 280**	**15 215**

During the first half of 2016 the Bank's share capital was increased by way of issuing 56,550,249 I-series ordinary bearer shares with a nominal value of PLN 10 each (additional information in Note 1.3 of the Interim condensed Consolidated Financial Report of the Alior Bank Spółka Akcyjna Group). Based on the Prospectus, the issue price of one share amounted to PLN 38.90. The share premium will be transferred in full to the Bank's supplementary capital.

24. 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 Bank uses such a method. The selected measurement techniques are primarily based on market data. They use Bank-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 Bank 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

hedging derivatives		income
Fx forward, fx swap, fx options	Daily	income statement
CIRS, FRA, IRS	Daily	income statement
Other derivatives	Daily	income statement
Shares	Daily	income statement

The fair values of the Bank's financial instruments presented in the Statement of financial position at fair value as at 30 June 2016 and 31 December 2015 were equal to their carrying amounts.

Since 2013, Alior Bank SA has adjusted 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 31 March 2016 amounted to PLN – 1,637 thousand. The total amount of BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -1,869 thousand, and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +232 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.

Instrument finansowy	Fair value hierarchy level	As at 30.06.2016		As at 31.12.2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the Central Bank	level 1	725 871	725 871	1 750 135	1 750 135
Loans and advances to customers:	level 3	34 162 628	33 082 185	30 913 990	30 271 934
Retail segment (carrying amount)					
Working capital facility		165 482	165 481	167 635	167 635
Consumer loans		9 435 666	9 077 905	8 699 017	8 538 699
Consumer finance loans		959 226	962 491	748 948	755 044
Loans for purchase of securities		124 393	124 393	119 069	119 069
Credit card borrowings loans		237 258	237 565	225 629	225 349
Loans for residential real estate		7 631 468	7 147 496	6 717 911	6 317 227
Other mortgage loans		808 832	768 257	896 008	845 181
Other receivables		21 462	20 918	21 097	21 086
Corporate segment (carrying amount)					
Working capital facility		8 050 662	7 945 614	7 361 826	7 306 525

(in PLN '000)

Car loans		51 854	51 853	70 394	70 390
Investment loans		6 108 809	6 012 697	5 487 618	5 506 929
Acquired receivables (factoring)		533 620	533 620	376 403	376 403
Other receivables		33 896	33 895	22 435	22 397
Amounts due from banks	level 2	1 334 279	1 334 279	642 540	642 540
Non-current asset held for sale	level 3	696	696	888	888
Assets pledged as collateral	level 2	563 369	563 369	628 332	628 332
Other financial assets	level 3	318 068	318 068	363 771	363 771
Liabilities		39 009 378	39 016 982	34 725 704	34 735 315
Due to banks	level 2				
Current deposits		11 011	11 011	11 012	11 012
Overnights		200 008	200 008	30 701	30 701
Banking securities issued		47 775	47 775	197 826	197 826
Banking securities issued		20 002	20 585	32 666	33 008
Other liabilities		141 290	141 290	203 262	203 262
SBB		596 428	596 428	575 561	575 561
Due to customers	level 3				
Current deposits		13 953 688	13 953 688	12 481 435	12 481 435
Term deposits		21 335 147	21 335 147	18 541 682	18 541 682
Banking securities issued		2 338 098	2 345 119	2 259 230	2 268 499
Other liabilities		365 931	365 931	392 329	392 329
Subordinated liabilities	level 3	1 165 450	1 165 450	896 298	896 298
Other financial liabilities	level 3	441 521	441 521	279 044	279 044
Guarantees	level 3	3 246	3 246	1 060	1 060
Off-balance sheet liabilities granted relating to financing	level 3	3 675	3 675	4 452	4 452

Amounts due from customers:

In the method for calculating the fair value of amounts due from customers (with the exception of overdraft facilities) the Bank 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 Bank 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.

(in PLN '000)

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

Measurement for the purposes of disclosure	As at 30.06.2016	Measurement method (techniques)	Material unobservable input data
Amounts due from customers	33 082 185	comparative valuation	margins on newly extended loans
Financial liabilities measured at amortized cost	39 016 982	discounted cash flows	issue spread above market curve
Guarantees	3 246	cash flows	future flows taking into account the amount of security

	As at 31.12.2015	Measurement method (techniques)	Material unobservable input data
Amounts due from customers	30 271 934	comparative valuation	margins on newly extended loans
Financial liabilities measured at amortized cost	34 735 315	discounted cash flows	issue spread above market curve
Guarantees	1 060	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: futures quotation curves
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

25. Capital adequacy ratio

Calculation of funds and capital adequacy ratio	As at 30.06.2016	As at 31.12.2015
Total own funds for the capital adequacy ratio	**6 515 481**	**3 854 619**
Common equity Tier I capital	**5 388 889**	**2 977 213**
Tier II capital	**1 126 592**	**877 406**
Capital requirements	**2 490 849**	**2 459 640**
Capital requirements for the following risks: credit, counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date	2 184 069	2 216 262
Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk	2 099	2 520
Capital requirement for general interest rate risks	50 466	32 637
Capital requirements for operating risk	254 215	208 221
Tier 1	**17,31%**	**9,68%**
Capital adequacy ratio	**20,93%**	**12,54%**

As at 30 June 2016 and 31 December 2015 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").

26. Off-balance-sheet items

26.1 Off-balance sheet contingent liabilities granted to customers	As at 30.06.2016	As at 31.12.2015
Off-balance sheet liabilities granted	9 413 269	8 941 675
Relating to financing	7 986 816	7 371 753
Guarantees	1 426 453	1 569 922
Performance guarantees	329 640	389 028
Financial guarantees	1 096 813	1 180 894
Pozabilansowe zobowiązania udzielone	**9 413 269**	**8 941 675**

26.2 By maturity	As at 30.06.2016	As at 31.12.2015
≤ 1W	1 971	3 161
> 1W ≤ 1M	60 259	12 805
> 1M ≤ 3M	84 456	246 545
> 3M ≤ 6M	113 592	162 675
> 6M ≤ 1Y	190 090	249 422
> 1Y ≤ 2Y	233 057	241 726
> 2Y ≤ 5Y	276 323	275 080
> 5Y ≤ 10Y	445 614	377 746
> 10Y ≤ 20Y	21 091	762
Off-balance sheet liabilities granted in respect of guarantees	**1 426 453**	**1 569 922**

(in PLN '000)

26.3 Według terminów zapadalności	As at 30.06.2016	As at 31.12.2015
≤ 1W	1 889 007	2 266 042
> 1W ≤ 1M	112 698	12 145
> 1M ≤ 3M	159 116	307 386
> 3M ≤ 6M	426 800	184 031
> 6M ≤ 1Y	479 172	524 558
> 1Y ≤ 2Y	1 400 883	1 090 516
> 2Y ≤ 5Y	2 136 200	1 963 511
> 5Y ≤ 10Y	616 513	419 842
> 10Y ≤ 20Y	578 101	410 826
> 20Y	188 326	192 896
Zobowiązania pozabilansowe udzielone, dotyczące finansowania	**7 986 816**	**7 371 753**

26.4 Contingent assets	As at 30.06.2016	As at 31.12.2015
Received guarantees	2 548 856	0
Received guarantees	**2 548 856**	**0**

The Bank offers its retail customers contingent liabilities in respect of renewable checking account overdraft limits and credit cards, which are granted for an indefinite period; at the same time, cash inflows to the account are monitored.
The Bank grants contingent liabilities to business customers in respect of:
- current account overdraft limits for a period of 12 months;
- guarantees, for a maximum period of 6 years;
- credit cards for an unlimited period (at the same time, cash inflows are monitored and portfolio or individual monitoring is performed);
- 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.

27. Acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa

On 26 January 2016, the Polish Financial Supervision Authority (PFSA) made a decision concerning the acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego (SKOK) by Alior Bank S.A.
On 27 January 2016, the Management Board of Alior Bank S.A. took over the management of SKOK's assets. As at 1 March 2016, Alior Bank S.A. (the acquiring bank) acquired SKOK. Pursuant to Art. 74c (4) of the Act on Credit Unions, the union or the acquiring domestic bank assumes all the rights and obligations of the acquired union as of the acquisition date. Until the date of the acquisition by Alior Bank S.A., SKOK conducted the full range of business activities and offered the full range of services to its members as previously.
The acquisition of SKOK by Alior Bank S.A. will guarantee the full safety of the funds accumulated by the acquired Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego and provide SKOK members with access to a wider product offer of Alior Bank S.A.

(in PLN '000)

The acquisition of SKOK will be accounted for in accordance with IFRS 3. The acquisition of SKOK was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank will receive support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which was initially determined at PLN 52,534 thousand and disclosed in other assets

The acquired assets and liabilities are presented below:

Assets	
Amounts due from customers	96 631
Amounts due from banks (including the Central Credit Union)	11 094
Other financial instruments measured at fair value through profit or loss	3 790
Other assets	1 617
Total assets	**113 132**

Liabilities and equity	
Amounts due to customers guaranteed by the BGF	164 385
Other liabilities	2 747
Total liabilities and equity	**167 132**

Total net identifiable assets	**-54 000**
Estimated subsidy	52 534
Goodwill	**-1 466**

In the part not covered by the BFG subsidy (mainly trade liabilities) goodwill was calculated in the amount of 1,466 thousand. zł, the Bank made a one-time write-off of goodwill in costs.

On 26 April 2016, the PFSA took a decision relating to the acquisition of Powszechna SKOK in Knurów by Alior Bank. As at 27 April 2016 the Management Board of Alior Bank S.A. assumed management over Powszechna SKOK in Knurów. As of 1 June 2016, Powszechna SKOK in Knurów was acquired by Alior Bank, as the acquiring Bank. Pursuant to Article 74c clause 4 of the Act on cooperative savings and credit unions, as of the date of acquisition the acquiring credit union or national bank acquires all the acquired union's rights and obligations. Until the date of acquisition of the SKOK by Alior Bank S.A. it operated and offered its services to its members in the full scope of its operations to-date.

The acquisition of SKOK will be accounted for in accordance with IFRS 3. Pursuant to IFRS 3.45, the Bank has 12 months to determine the final values; the process has not yet been finalized. The acquisition of SKOK was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank will receive support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which was initially determined at PLN 9,531 thousand. The initial values of the acquired assets and liabilities are presented below:

(in PLN '000)

Assets	
Amounts due from customers	15 882
Amounts due from banks (including Kasa Krajowa)	9 691
Other assets	403
Total assets	**25 976**

Liabilities and equity	
Amounts due to customers guaranteed by BGF	35 507
Other liabilities	6 582
Total liabilities and equity	**42 089**

Total net identifiable assets	**-16 113**
Estimated subsidy	9 531
Goodwill	-6 582

In the part not covered by BFG subsidy (mainly trade liabilities) goodwill was generated in the amount of PLN 6,582 thousand. Due to the initial settlement of the acquisition the Bank made partial write-off of goodwill in costs in the amount of PLN 3,289 thousand.

28. Assets pledged as collateral

28.1 Balance sheet value	**As at 30.06.2016**	**As at 31.12.2015**
Treasury bonds blocked with SBB transactions	498 713	576 534
Registered pledge on Treasury bonds	37 813	37 060
Deposit as collateral of transactions performed in Alior Trader	26 843	14 738
Total	**563 369**	**628 332**

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 30.06.2016	**As at 31.12.2015**
Treasury bonds blocked with BFG	179 617	159 570
Deposits as derivative transactions (ISDA) collateral	171 871	171 406
Total	**351 488**	**330 976**

29. Transactions with related entities

Related-party transactions are described in Note 31 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 30.06.2016**	**As at 31.12.2015**
Assets		
Loans and advances to customers	265 119	59 263
Other assets	5 930	409

(in PLN '000)

Total assets	**271 049**	**59 672**
Liabilities and equity		
Financial liabilities measured at amortized cost due to customers	4 992	11 134
Other liabilities	84	0
Total liabilties and equity	**5 076**	**11 134**

Subsidiaries	**1.01.2016-30.06.2016**	**1.01.2015-31.03.2015**
Interest income	1 437	0
Interest expense	-35	-118
Fee and commission income	601	3
Other operating income	115	243
General administrative expenses	-879	-140
Total	**1 239**	**-12**

30. Significant events after the balance sheet date

Significant events after the end of the reporting period are described in Note 40 to the Interim Condensed Consolidated Financial Report of the Alior Bank Spółka Akcyjna Group.

Signatures of all Management Board Members

10.08.2016	Wojciech Sobieraj CEO	.... Signature
10.08.2016	Małgorzata Bartler Deputy CEO	.... Signature
10.08.2016	Krzysztof Czuba Deputy CEO	.... Signature
10.08.2016	Joanna Krzyżanowska Deputy CEO	.... Signature
10.08.2016	Witold Skrok Deputy CEO	.... Signature
10.08.2016	Barbara Smalska Deputy CEO	.... Signature
10.08.2016	Katarzyna Sułkowska Deputy CEO	.... Signature