



Financial report  
of the Alior Bank Spółka Akcyjna Group  
for the first quarter of 2018

(in PLN '000)

## Selected financial data

PLN	01.01.2018 -	01.01.2017 -	01.01.2017 -	% (A-B)/B
	31.03.2018	31.12.2017	31.03.2017	
	A		B	C
Net interest income	731 222	2 841 068	660 975	10.6%
Net fee and commission income	113 827	453 024	116 668	-2.4%
Trading result & other	120 173	418 249	90 293	33.1%
Net expected credit losses impairment allowances and write-downs	-240 527	-929 617	-211 616	13.7%
General administrative expenses	-458 411	-1 845 535	-489 266	-6.3%
Gross profit	231 026	736 672	117 527	96.6%
Net profit	171 136	515 617	82 405	107.7%
Net cash flow	521 692	-94 877	406 394	28.4%
Loans and advances to customers	51 569 346	51 266 640	48 402 943	6.5%
Amounts due to customers	59 023 689	57 614 493	50 516 894	16.8%
Equity	6 159 581	6 761 949	6 312 724	-2.4%
Total assets	70 534 203	69 493 780	60 419 868	16.7%
Selected ratios				
Profit per ordinary share (PLN)	1.32	3.99	0.64	106.8%
Capital adequacy ratio	15.42%	15.21%	14.40%	7.1%
Tier 1	12.09%	12.10%	12.15%	-0.5%

EUR	01.01.2018 -	01.01.2017 -	01.01.2017 -	% (A-B)/B
	31.03.2018	31.12.2017	31.03.2017	
	A		B	C
Net interest income	175 000	669 321	154 106	13.6%
Net fee and commission income	27 242	106 727	27 201	0.2%
Trading result & other	28 761	98 534	21 052	36.6%
Net expected credit losses impairment allowances and write-downs	-57 564	-219 007	-49 338	16.7%
General administrative expenses	-109 710	-434 786	-114 072	-3.8%
Gross profit	55 291	173 551	27 401	101.8%
Net profit	40 957	121 473	19 213	113.2%
Net cash flow	124 854	-22 352	94 750	31.8%
Loans and advances to customers	12 253 617	12 291 505	11 470 435	6.8%
Amounts due to customers	14 024 876	13 813 444	11 971 395	17.2%
Equity	1 463 605	1 621 221	1 495 977	-2.2%
Total assets	16 759 939	16 661 579	14 318 183	17.1%
Selected ratios				
Profit per ordinary share (PLN)	0.31	0.91	0.15	110.8%
Capital adequacy ratio	15.42%	15.21%	14.40%	7.1%
Tier 1	12.09%	12.10%	12.15%	-0.5%

Selected items of the consolidated financial statements were translated into EUR at the following exchange rates	31.03.2018	31.12.2017	31.03.2017
NBP's average exchange rate as at the end of the period	4.2085	4.1709	4.2198
NBP's average exchange rates as at the last day of each month of the period	4.1784	4.2447	4.2891



Interim condensed consolidated  
financial statements  
of the Alior Bank Spółka Akcyjna Group  
for the first quarter of 2018

*This version of our report is a translation of 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 the report takes precedence over this translation.*

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(in PLN '000)

### Interim condensed consolidated income statement

	Note number	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
Interest income		912 897	867 326
Income of a similar nature		35 078	n/a
Interest expense		-216 753	-206 351
<b>Net interest income</b>	<b>4</b>	<b>731 222</b>	<b>660 975</b>
Dividend income		0	0
Fee and commission income		201 322	194 727
Fee and commission expense		-87 495	-78 059
<b>Net fee and commission income</b>	<b>5</b>	<b>113 827</b>	<b>116 668</b>
The result on financial assets measured at fair value through profit or loss and trading result	6	90 139	72 899
Net gain (realized) on other financial instruments	7	n/a	454
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7	14 632	n/a
measured at fair value through other comprehensive income		11 185	n/a
measured at amortized cost		3 447	n/a
Other operating income		55 173	32 319
Other operating expenses		-25 139	-15 379
<b>Net other operating income and expenses</b>	<b>8</b>	<b>30 034</b>	<b>16 940</b>
General administrative expenses	9	-458 411	-489 266
Net expected credit losses, impairment allowances and write-downs	10	-240 527	-211 616
Banking tax		-49 890	-49 527
<b>Gross profit</b>		<b>231 026</b>	<b>117 527</b>
Income tax	11	-59 890	-35 122
<b>Net profit</b>		<b>171 136</b>	<b>82 405</b>
Net profit attributable to equity holders of the parent		171 134	82 361
Net profit attributable to non-controlling interests		2	44
Net profit		171 136	82 405
Weighted average number of ordinary shares		129 276 474	129 257 763
Net profit per ordinary share(PLN)	12	1.32	0.64
Diluted profit per ordinary share(PLN)	12	1.31	0.63

### Interim condensed consolidated statement of comprehensive income

	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
<b>Net profit</b>	<b>171 136</b>	<b>82 405</b>
<b>Items that may be reclassified to the income statement after certain conditions are satisfied</b>	<b>65 057</b>	<b>27 406</b>
Foreign currency translation differences	-615	72
<b>Results of the measurement of financial assets (net)</b>	<b>50 731</b>	<b>22 655</b>
Profit/loss on fair valuation of available for sale financial assets	n/a	27 528
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	63 007	n/a
Deferred tax	-12 276	-4 873
<b>Results on the measurement of hedging instruments (net)</b>	<b>14 941</b>	<b>4 679</b>
Gains/losses on hedging instruments	18 446	5 588
Deferred tax	-3 505	-909
<b>Total comprehensive income, net</b>	<b>236 191</b>	<b>109 811</b>
- attributable to shareholders of the parent company	236 189	109 767
- attributable to non-controlling interests	2	44

The notes presented on pages 9-49 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note number	31.03.2018	31.12.2017
Cash and balances with the Central Bank	13	1 439 945	965 391
Amounts due from banks	14	1 127 806	901 629
Financial assets:	15	13 410 165	13 642 769
measured at fair value through other comprehensive income		8 860 222	n/a
measured at fair value through profit or loss		658 316	n/a
measured at amortized cost		3 891 627	n/a
available-for-sale		n/a	12 072 324
held to maturity		n/a	1 117 894
held for trading		n/a	452 551
Derivative hedging instruments		56 660	87 785
Loans and advances to customers	16	51 569 346	51 266 640
Assets pledged as collateral	18	560 693	408 911
Property, plant and equipment		451 815	475 691
Intangible assets		543 483	548 587
Non-current assets held for sale		325	357
Income tax asset	12	846 841	569 580
deferred		846 841	569 580
Other assets	17	527 124	626 440
<b>TOTAL ASSETS</b>		<b>70 534 203</b>	<b>69 493 780</b>

  

LIABILITIES AND EQUITY	Note number	31.03.2018	31.12.2017
Amounts due to banks	19	1 012 534	891 645
Amounts due to customers	20	59 023 689	57 614 493
Financial liabilities	23	643 457	435 878
held for trading		n/a	435 878
measured at fair value through profit or loss		643 457	n/a
Derivative hedging instruments		10 068	5 419
Provisions	21	176 195	90 457
Other liabilities	22	1 376 938	1 674 650
Income tax liabilities		206 407	104 413
current		205 911	103 927
deferred		496	486
Subordinated liabilities	24	1 925 334	1 914 976
<b>Total liabilities</b>		<b>64 374 622</b>	<b>62 731 931</b>
Share capital		1 292 788	1 292 636
Supplementary capital		4 820 837	4 820 048
Revaluation reserve		90 245	13 944
Other reserves		186 318	183 824
Foreign currency translation differences		-21	594
Accumulated losses		-401 983	-65 760
Profit for the period		171 134	515 241
Non-controlling interests		263	1 322
<b>Equity</b>		<b>6 159 581</b>	<b>6 761 849</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70 534 203</b>	<b>69 493 780</b>

The notes presented on pages 9-49 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed statement of changes in consolidated equity

01.01.2018- 31.03.2018	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2018	1 292 636	4 820 048	183 824	13 944	594	449 481	1 322	6 761 849
IFRS 9 impact and other changes	0	0	0	10 629	0	-851 419	0	-840 790
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65 672</b>	<b>-615</b>	<b>171 134</b>	<b>2</b>	<b>236 193</b>
net profit	0	0	0	0	0	171 134	2	171 136
<b>other comprehensive income – valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65 672</b>	<b>-615</b>	<b>0</b>	<b>0</b>	<b>65 057</b>
inc. measured at fair value through other comprehensive income	0	0	0	50 731	0	0	0	50 731
inc. hedging derivatives	0	0	0	14 941	0	0	0	14 941
inc. currency translation differences	0	0	0	0	-615	0	0	-615
Share issue	152	789	11 798	0	0	0	0	12 739
Other changes	0	0	-9 304	0	0	-45	-1 061	-10 410
31 March 2018	1 292 788	4 820 837	186 318	90 245	-21	-230 849	263	6 159 581

01.01.2017- 31.03.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2017	1 292 578	4 185 843	183 957	-71 615	-22	611 193	979	6 202 913
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27 334</b>	<b>72</b>	<b>82 361</b>	<b>44</b>	<b>109 811</b>
net profit	0	0	0	0	0	82 361	44	82 405
<b>other comprehensive income – valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27 334</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>27 406</b>
inc. available-for-sale financial assets	0	0	0	22 655	0	0	0	22 655
inc. hedging derivatives	0	0	0	4 679	0	0	0	4 679
inc. currency translation differences	0	0	0	0	72	0	0	72
31 March 2017	1 292 578	4 185 843	183 957	-44 281	50	693 554	1 023	6 312 724

\*Details in Note 2.2

1.01.2017- 31.12.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2017	1 292 578	4 185 843	183 957	-71 615	-22	568 142	979	6 159 862
Transfer of last year's profit	0	633 902	0	0	0	-633 902	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85 559</b>	<b>616</b>	<b>515 241</b>	<b>376</b>	<b>601 792</b>
zysk netto	0	0	0	0	0	515 241	376	515 617
<b>other comprehensive income – valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85 559</b>	<b>616</b>	<b>0</b>	<b>0</b>	<b>86 175</b>
inc. available-for-sale financial assets	0	0	0	85 861	0	0	0	85 861
inc. hedging derivatives	0	0	0	-302	0	0	0	-302
inc. currency translation differences	0	0	0	0	616	0	0	616
Share issue	58	303	0	0	0	0	0	361
Other changes	0	0	-133	0	0	0	-33	-166
31 December 2017	1 292 636	4 820 048	183 824	13 944	594	449 481	1 322	6 761 849

The notes presented on pages 9-49 constitute an integral part of these interim condensed consolidated financial statements

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
<b>Operating activities</b>		
<b>Profit before tax for the year</b>	<b>231 026</b>	<b>117 527</b>
<b>Adjustments:</b>	<b>57 228</b>	<b>44 620</b>
Unrealized foreign exchange gains/losses	9 743	-2 871
Amortization/depreciation of property, plant and equipment and intangible assets	43 235	43 873
Change in property, plant and equipment and intangible assets impairment write-down	1 756	3 618
Share-based payments	2 494	0
<b>The gross profit after adjustments but before increase/decrease in operating assets/liabilities</b>	<b>288 254</b>	<b>162 147</b>
Change in loans and receivables	-1 306 577	-1 567 011
Change in financial assets measured at fair value through other comprehensive income	789 634	n/a
Change in financial assets measured at fair value through profit or loss	-167 196	n/a
Change in financial assets measured at amortised cost	-388 155	n/a
Change in financial assets available for sale	n/a	2 841 223
Change in financial assets held in maturity	n/a	-12
Change in financial assets held for trading	n/a	33 042
Change in assets pledged as collateral	-151 782	-126 403
Change in derivative hedging assets	31 125	10 207
Change in non-current assets held for sale	32	224
Change in other assets	99 316	16 728
Change in deposits	1 378 943	-856 487
Change in own issue	9 212	32 444
Change in financial liabilities	207 579	-4 172
Change in hedging liabilities derivative	4 649	6 133
Change in other liabilities and other comprehensive income	-170 731	-49 637
Change in provisions	85 738	-18 516
<b>Cash from operating activities before income tax</b>	<b>710 041</b>	<b>479 910</b>
Income tax paid	-153 931	-2 180
<b>Net cash flow from operating activities</b>	<b>556 110</b>	<b>477 730</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-50 306</b>	<b>-78 281</b>
Purchase of property, plant and equipment	-36 347	-48 603
Purchase of intangible assets	-13 959	-29 678
<b>Inflows:</b>	<b>34 295</b>	<b>20 619</b>
Disposal of property, plant and equipment	34 295	20 619
<b>Net cash flow from investing activities</b>	<b>-16 011</b>	<b>-57 662</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-18 559</b>	<b>-13 673</b>
Interest expense – subordinated liabilities	-18 559	-13 673
<b>Inflows:</b>	<b>152</b>	<b>0</b>
Inflows from share issue	152	0
<b>Net cash flow from financing activities</b>	<b>-18 407</b>	<b>-13 673</b>
<b>Total net cash flow</b>	<b>521 692</b>	<b>406 394</b>
<b>incl. exchange gains/(losses)</b>	<b>1 926</b>	<b>-27 925</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>521 692</b>	<b>406 394</b>
Cash and cash equivalents, opening balance	1 614 366	1 709 243
Cash and cash equivalents, closing balance	2 136 058	2 115 637
<b>Additional disclosures on operating cash flows</b>		
Interests received	908 257	884 313
Interests paid	-199 346	-284 454

The notes presented on pages 9-49 constitute an integral part of these interim condensed consolidated financial statements.



## Notes to the interim condensed consolidated financial statements

### 1. Information on 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 the bank under the name Alior Bank SA. On 1 September 2008, the PFSA issued a license for the Bank to commence its business activities. On 5 September 2008, the PFSA granted the Bank permission to conduct brokerage activities. The duration of the Bank's and the Group companies' operations is indefinite.

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

#### 1.3 Shareholders of Alior Bank Spółka Akcyjna

According to currently available information, as at 31 March 2018, the following shareholders held 5% or more of the total number of votes at the General Shareholders' Meeting:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
<b>31.03.2018</b>					
PZU SA	41 658 850	416 588 500	32.22%	41 658 850	32.22%
Aviva OFE Aviva BZ WBK	11 562 000	115 620 000	8.94%	11 562 000	8.94%
Nationale-Nederlanden PTE SA	6 600 000	66 000 000	5.11%	6 600 000	5.11%
Others	69 457 991	694 579 910	53.73%	69 457 991	53.73%
<b>Total</b>	<b>129 278 841*</b>	<b>1 292 788 410</b>	<b>100.00%</b>	<b>129 278 841</b>	<b>100.00%</b>

\* The number of shares according to registered in KRS on 31 March 2018.

(in PLN '000)

According to currently available information, as at 10 May 2018, the following shareholders held 5% or more of the total number of votes at the General Shareholders' Meeting (information based on the number of shares being traded on the stock exchange and about a new significant shareholder - description in note 35):

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
<b>10.05.2018</b>					
PZU SA	41 658 850	416 588 500	31.93%	41 658 850	31.93%
Aviva OFE Aviva BZ WBK	11 562 000	115 620 000	8.86%	11 562 000	8.86%
Nationale-Nederlanden PTE SA	6 600 000	66 000 000	5.06%	6 600 000	5.06%
BlackRock, Inc.	7 392 649	73 926 490	5.67%	7 392 649	5.67%
Others	63 245 217	632 452 170	48.48%	63 245 217	48.48%
<b>Total</b>	<b>130 458 716</b>	<b>1 304 587 160</b>	<b>100.00%</b>	<b>129 278 841</b>	<b>100.00%</b>

1.4 Information on the composition of the Bank's Management and Supervisory Boards together with information on the ownership of Alior Bank shares by members of the Management and Supervisory Boards

There were changes in the composition of the Bank's Management Board compared to the previous reporting period ended 31 December 2017. On 12 March 2018, Mr. Michał Jan Chyczewski resigned from the position of the Vice-President of the Management Board and acting President of Alior Bank SA. At the same time, on 12 March 2018, the Supervisory Board entrusted Ms. Katarzyna Sułkowska with the acting role President of the Management Board. Also effective 13 March 2018, the Supervisory Board appointed Mr. Marcin Jaszczuk to the position of the Vice-President of the Management Board of Alior Bank SA.

On 13 April 2018, Ms. Urszula Krzyżanowska-Piękoś and Ms. Celina Waleśkiewicz submitted their resignations as members of the Management Board of Alior Bank SA. At the same time, on 13 April 2018 the Supervisory Board appointed Ms. Agata Strzelecka, Mr. Mateusz Poznański and Mr. Maciej Surdyk to the positions of Vice-Presidents of the Bank's Management Board.

On 27 April 2018, Mr Sylwester Grzebinoga submitted his resignation as member of the Management Board of Alior Bank SA.

Composition of the Bank's Management Board as at 31 March 2018

Name	Position
Katarzyna Sułkowska	acting President of the Management Board
Filip Gorczyca	Vice-President of the Management Board
Sylwester Grzebinoga	Vice-President of the Management Board
Marcin Jaszczuk	Vice-President of the Management Board
Urszula Krzyżanowska-Piękoś	Vice-President of the Management Board
Celina Waleśkiewicz	Vice-President of the Management Board

Members of the Bank's Management Board who held shares in the Bank as at 31 March 2018 and 10 May 2018

Number of shares	10.05.2018	31.03.2018	31.12.2017
Katarzyna Sułkowska	28 612	28 612	28 612
<b>Total</b>	<b>28 612</b>	<b>28 612</b>	<b>28 612</b>

There were no changes in the composition of the Bank's Supervisory Board compared to the previous reporting period ended 31 December 2017.

Composition of the Bank's Supervisory Board as at 31 March 2018

Name	Position
Tomasz Kulik	Chairman of the Supervisory Board
Małgorzata Iwanicz-Drozdowska	Deputy Chairman of the Supervisory Board
Dariusz Gątarek	Member of the Supervisory Board
Mikołaj Handschke	Member of the Supervisory Board
Artur Kucharski	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

In accordance with the Bank's best knowledge, Members of the Supervisory Board of Alior Bank did not hold any of the Bank's shares as at 31 March 2018 and 10 May 2018.

### 1.5 Information about the Alior Bank Group

Alior Bank SA is the parent company of Alior Bank Group. The composition of the Group as at 31 March 2018 was as follows:

Name of company	31.03.2018	31.12.2017
Alior Services sp. z o.o.	100%	100%
Centrum Obrotu Wierzytelnościami sp. z o.o.	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	100%	100%
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Money Makers TFI SA	91.48%*	60.16%
Absource sp. z o.o.	100%	100%

*\*On 19 March 2018 a conditional agreement for the sale of Money Makers TFI SA shares ("Conditional Agreement") was signed based on which (in the case of meeting the condition precedent, i.e. in the case Alior Bank acquired the Money Makers TFI's shares representing at least 70% of its share capital) Alior Bank would acquire all shares from the Money Makers TFI's shareholders who are also members of its Management Board held by them on the day of concluding a Conditional Agreement, which may result in Alior Bank exceeding 90% of the Money Makers TFI's total number of shares. On 19 and 20 March Alior Bank sold and acquired Money Makers TFI SA's shares. These transactions were concluded as the first stage of the acquisition of shares in accordance with the conditions described above. On 22 March 2018, the Bank made another acquisition of Money Makers TFI SA's shares as part of block transactions concluded in the NewConnect alternative trading system. These transactions were concluded as the last stage of the acquisition of shares in accordance with the conditions described in the conditional share purchase agreement. On 7 May 2018, KDPW made settlement of share's purchase as part of squeeze out of minority shareholders of Money Makers TFI SA announced on 30 April 2018. Thus, Alior Bank holds 100% shares in MoneyMakers TFI SA as at date of publication of this report. The Management Board of the Warsaw Stock Exchange decided to suspend trading in the shares of MoneyMakers TFI SA - marked with the code - PLMNMR500015 - from 3 April 2018.*

### 1.6 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 9 May 2018.

## 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 within the meaning of §21 IAS 34.

## 2. Accounting principles

### 2.1 Basis for preparation

#### Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the first quarter of 2018 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2017.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2018 to 31 March 2018, and interim condensed consolidated statement of financial position as at 31 March 2018 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 2018. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.2.

#### Scope and reporting currency

The interim condensed consolidated financial statements of the Alior Bank SA Group comprise the data of the Bank and its subsidiaries. The interim condensed consolidated financial statements have been prepared in Polish zlotys. Unless otherwise stated, all amounts are presented in PLN thousands.

#### 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 31 March 2018.

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

### 2.2 Accounting principles – changes in standards and other changes

#### Significant accounting policies

The detailed accounting policies have been presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2017 published on Alior Bank's website on 8 March 2018.

#### Changes in accounting standards

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

These interim condensed consolidated financial statements do not take into account amendments, standards and interpretations that are awaiting approval by the European Union or have been approved by the European Union but have entered into or will enter into force after the balance sheet date. The scope of these amendments, standards and interpretations has been presented in the Group's consolidated financial statements for 2017.

### **IFRS 9 Financial Instruments**

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

IFRS 9 introduces new accounting principles regarding financial instruments in the following areas:

- classification and measurement,
- impairment (expected credit losses),
- hedge accounting.

### **Classification and measurement of financial instruments**

#### **Financial assets**

According to IFRS 9, upon initial recognition, financial assets are classified to the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through other comprehensive income;
- financial assets measured at fair value through profit or loss.

Financial assets are classified to one of the above measurement categories based on: the Bank's business model for financial asset management and contractual cash flows characteristics.

Then new standard eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

#### *Business model*

The business model is the method for financial assets management. Its assessment depends on the intentions as to how the cash flows arising from these financial assets will be realized, i.e. whether they will be realized by obtaining cash flows in accordance with contractual terms, whether through the sale of these assets or from both sources.

For the assessment of the business model it relevant why the decision on realising the cash flows through sale has been made. There is a distinction between the sale of financial assets with a deteriorated credit quality due to credit risk management, the sale of assets for the purposes of managing financial liquidity risk and financial risk, and sales undertaken to generate financial profits. Other factors are also important in identifying the business model, in particular the criteria for assessing the financial results of a given assets portfolio, eg interest margin, changes in fair value, realized sales results.

#### *Contractual cash flows*

The purpose of the contractual cash flow characteristics assessment of a financial asset is to determine whether the terms of the contract give rise on specified details to cash flows which are solely payments of principal and interest on the principal amount outstanding (the so-called SPPI criterion - solely payments of principal and interest).

The principal amount for the purposes of the SPPI test is the fair value of the financial asset at the moment of initial recognition.

The interest on the principal is the payment for the value of money in time, remuneration for credit risk and other risks, administrative costs and profit margin.

#### *Classification principles*

Financial assets whose cash flows have the characteristics of solely the repayment of principal and interest on the principal are classified to the following categories of measurement:

- at amortized cost, if they are maintained in a business model whose purpose is to realize cash flows in accordance with contractual terms,
- at fair value through other comprehensive income if they are maintained in a business model whose purpose is to realize cash flows in accordance with contractual terms or through sale.

Financial assets whose cash flows are modified in such a way that they have features other than solely repayment of the principal and interest on the principal are classified to the category of measurement at fair value through profit and loss regardless of the business model. This category also includes financial assets managed in accordance with the business model which involves the sale of assets to generate financial profits, assessment of results based on changes in fair value and sales results.

This category also always includes derivative instruments that are not hedging instruments.

#### *.Classification*

As at 1 January 2018, Alior Bank reviewed the portfolio of financial assets from the perspective of the IFRS 9 classification principles. The review included:

- identification of business models used by the Bank based on the method of reporting and assessment of financial results, the method of remuneration of the management staff,
- assigning individual portfolios of financial assets to relevant business models,
- assessment of contractual cash flow characteristics for particular financial assets,
- analysis of sales of financial assets along with the business case for sales and its frequency
- analysis of contractual clauses used by the Bank that may affect cash flows,

In addition, the Bank identified the purchased financial assets with impairment due to credit risk. These types of financial assets have been recognized in connection with the acquisition of the demerged business of Bank BPH in 2016 and of Meritum Bank in 2015.

As a result, loans and advances to customers and debt securities (government bonds) of an investment nature have been designated to amortized cost measurement category. In accordance with the principles of IAS 39 applied until 31 December 2017, those items were classified to the categories of loans and receivables and financial assets available for sale and held to maturity.

Debt securities, which until 31 December 2017 were classified as available-for-sale financial assets, have been designated to the category measured at fair value through other comprehensive income. These items mainly include a portfolio of securities that secures financial liquidity (mainly government bonds, corporate bonds).

The measurement category at fair value through profit and loss includes derivative instruments that are not hedging instruments in accordance with hedge accounting principles, trading securities portfolio (Treasury bonds and corporate bonds) and shares that do not meet the definition of a an equity instrument. Until 31

December 2017, in line with IAS 39, these items were classified as financial assets held for trading, and shares that do not meet the definition of an equity instrument were classified as available-for-sale financial assets. As at 1 January 2018, i.e. the date of the first application of IFRS 9, Alior Bank maintains a portfolio of financial assets resulting from credit cards and used overdraft facilities whose interest rate is based on the formula of a specific multiplier of the NBP reference rate. For the purpose of preparing the opening balance as at 1 January 2018, these financial assets were classified to the category of measurement at amortized cost due to ongoing discussions in the banking sector in Poland in connection with the letter from the Chairman of the Polish Financial Supervision Authority dated on 12 December 2017 regarding the classification of consumer credit products with an interest rate formula based on a multiplication factor of more than 1 and the expectations of the Polish Financial Supervision Authority in the scope of amending the contractual provisions that result in failure to test the contractual cash flows. Taking above into account Alior Bank is in the process of determining the type, scope and timing of actions in the field of, changes of doubts from the point of view of the classification according to IFRS 9 of contractual provisions in order to meet the requirements of the contractual cash flow test enabling the classification of these loans to the category of financial assets measured at amortized cost. This portfolio amounted to about PLN 800 M equal 1.54% of total receivables from customers.

#### **Financial liabilities**

The application of IFRS 9 does not have a material impact on the classification of financial liabilities. Derivatives and financial liabilities due to short sales as at 1 January 2018 are measured at fair value through profit or loss. Other items of financial liabilities are measured at amortized cost.

In addition, financial guarantees are valued at the higher of the allowance for expected credit losses and the amount initially recognized less the accumulated amount of income.

#### **Impairment**

In accordance with IFRS 9, the Bank estimates impairment losses for expected credit losses for all financial assets measured at amortized cost or at fair value through other comprehensive income.

IFRS 9 replaces the impairment model which was based on the "incurred loss" concept, and introduces a new model based on the expected credit loss (ECL) concept.

##### *Loss Identification Period*

Expected losses are estimated at a 12-month or in a life-time, according to the following rule:

- Stage 1 - assets for which there was no significant increase in credit risk from the initial recognition => 12 months;
- Stage 2 - assets for which there was a significant increase in credit risk, however, there are no indicators of impairment => life-time;
- Stage 3 - assets for which there are premises for impairment => life-time.

##### *Identification of the credit risk deterioration*

The principles of recognizing impairment triggers remain unchanged versus the principles applied in IAS 39. The Bank applies the full cross-default principle, ie the identification of the premise on any customer exposure results in the classification to the portfolio with indications of impairment of all exposures of the given client. The rules for identifying a significant increase in credit risk from the initial recognition are based on a combination of:

- qualitative criterias and
- quantitative criterias.

The Bank includes as qualitative criteria:

- occurrence of overdue exceeding 30 days,

- classification of the client on the higher risk list ("watch list"),
- forbearance (ie customer staying in the post-restructuring period probation).

The Bank includes as quantitative criteria:

- increase above defined thresholds, of the cumulative probability of default in the period to maturity determined between the date of the engagement and measurement date.
- materiality thresholds are defined at the level of homogeneous segments, taking into account the credit quality of individual populations.

Identification of criteria of significant credit risk deterioration is performed at the single exposure level.

#### *Estimation of expected losses*

The estimated losses expected for exposures designated for Stage 1 or Stage 2 are based on:

- estimated exposure value at the time of default (EAD model);
- estimated distribution of risk of default within the lifetime of the exposure (life-time PD model);
- estimated level of loss in case of default of the client (LGD model).

The estimate horizon covers the period of the next 12 months (or the maturity if shorter) for Stage 1 and the estimated horizon covers the period up to the expected maturity for Stage 2.

The EAD model shows the expected distribution of exposure of a given financial assets in the period to maturity. The model for products with repayment schedules is based on contractual cash flows adjusted for the effects of prepayment / underpayment. The model for products without repayment schedules is based on the average expected use of the credit limit granted.

The life-time PD model used to estimate credit losses is the same as the model used to assess the occurrence of a significant deterioration in credit quality.

The LGD model illustrates the expected level of loss from the exposure where the customer defaults. It includes all possible recovery paths / scenarios, including the pricing of individual collateral for each transaction.

The expected losses in the life-time horizon are estimated taking into account future macroeconomic conditions in a multi-scenario analysis.

The impact of the new impairment model is presented below:

<b>Loss allowance at 31 December 2017 under IAS 39</b>	<b>3 403 675</b>
<b>Additional impairment recognised at 1 January 2018 on:</b>	<b>609 143</b>
Impairment losses on impaired loans and advances to customers	886 017
Change in presentation in impairment's interest	193 757
Impact of the classification part of loans and advances to customers as POCI	-609 121
Debt securities – available-for-sale financial assets	1 946
Investment securities held to maturity	1 018
Off balance provision	135 526
<b>Loss allowance at 1 January 2018 under IFRS 9</b>	<b>4 012 818</b>
<b>Incl impairment losses on impaired loans and advances to customers</b>	<b>3 874 328</b>

#### *Exposures acquired in impairment (POCI)*

The Bank estimates the expected credit losses over the life-time horizon for purchased or originated credit impaired financial assets, irrespective of current credit quality. The measurement of these exposures is carried out using standardized models, including credit risk adjusted effective interest rates (so-called CEIR). The CEIR rate is the rate used to measure the exposure at fair value at the acquisition date.

For POCI exposures, a write-off is the cumulative change in expected credit losses between their current estimate and the level set at the date of acquisition of the exposure. In the case of a drop in the estimated



credit losses, the write-down takes the form of a correction increasing the gross value of the exposure (the so-called over-write).

### Hedge accounting

Pursuant to the provisions of IFRS 9 7.2.21, Alior Bank has decided to continue to apply the hedge accounting principles in accordance with IAS 39. Therefore, in the area of hedge accounting, the accounting policies have not been changed.

### Other changes

In the first quarter of 2018, the Bank changed the approach regarding the moment of recognition of the liability in other liabilities therefore recognized the impact of this change for 2017 as a result of previous years as at 1 January 2018. Comparable data were not restated due to immateriality.

### Comparative data

In accordance with IFRS 9, Alior Bank decided to use the exemption of the obligation to restate comparative data for previous periods presented in financial statements for periods beginning on 1 January 2018 or later due to the first application of IFRS 9. Changes in the carrying amounts of financial assets and liabilities resulting from the application of IFRS 9 are recognized in equity as at 1 January 2018.

The table below presents the net impact of changes of accounting principles resulting from IFRS 9 and other changes on the opening balances.

ASSETS	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount in as at 31.12.2017	Impact of implementing IFRS 9 on 01.01.2018			Other changes	New carrying amount as at 01.01.2018
				impact of changing classification and valuation (1)	impact of impairment (2)	Total impact (1)+(2)		
Cash and balances with the Central Bank	Loans and advances to customers	Financial assets measured at amortized cost	965 391	0	0	0	965 391	
Financial assets held for trading	Financial assets held for trading	Financial assets measured at fair value through profit or loss	452 551	0	0	0	452 551	
		Financial assets measured at fair value through other comprehensive income	9 649 751	105		105	9 649 856	
Available-for-sale financial assets	Available-for-sale financial assets	Financial assets measured at amortized cost	2 384 004	4 538	-1 946	2 592	2 386 596	
		Financial assets measured at fair value through profit or loss	38 569	0	0	0	38 569	
Investment securities held to maturity	Financial assets held to maturity	Financial assets measured at amortized cost	1 117 894	0	-1 018	-1 018	1 116 876	
Derivative hedging instruments	Financial assets held for trading	Financial liabilities measured at fair value through other comprehensive income	87 785	0	0	0	87 785	
Amounts due from banks	Loans and advances to customers	Financial assets measured at amortized cost	901 629	0	-4	-4	901 625	
Loans and advances to customers	Loans and advances to customers	Financial assets measured at amortized cost	51 266 640	0	-902 661	-902 661	50 363 979	
Assets pledged as collateral	Available-for-sale financial assets/ Financial assets held to maturity	Financial assets measured at amortized cost / Financial assets	408 911	0	0	0	408 911	

(in PLN '000)

	measured at fair value through other comprehensive income					
Income tax asset		569 580		263 734		833 314
Other assets		626 440	0	564	564	627 004
<b>TOTAL ASSETS</b>		<b>68 469 145</b>	<b>4 643</b>	<b>-905 065</b>	<b>-636 688</b>	<b>0</b>

LIABILITIES	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount as at 31.12.2017	Impact of implementing IFRS 9 on 01.01.2018			New carrying amount as at 01.01.2018
				impact of changing classification and valuation (1)	impact of impairment (2)	Total impact (1)+(2)	
Financial liabilities held for trading	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	435 878	0	0	0	435 878
Amounts due to banks	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	891 645	0	0	0	891 645
Amounts due to customers	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	57 614 493	0	0	0	57 614 493
Derivative hedging instruments	Financial liabilities measured at fair value through other comprehensive income	Financial liabilities measured at fair value through other comprehensive income	5 419	0	0	0	5 419
Provisions			90 457	0	116 262	116 262	206 719
Other liabilities			1 674 650				19 264
Income tax liabilities			104 413			68 576	172 989
<b>Total liabilities</b>			<b>60 816 955</b>	<b>0</b>	<b>116 262</b>	<b>184 838</b>	<b>19 264</b>
Share capital			1 292 636			0	1 292 636
Supplementary capital			4 820 048			0	4 820 048
Revaluation reserve			13 944			10 629	24 573
Other reserves			183 824			0	183 824
Foreign currency translation differences			594			0	594
Accumulated losses			449 481			-832 155	-401 938
Non-controlling interests			1 322			0	1 322
<b>Totak equity</b>			<b>6 761 849</b>			<b>-821 526</b>	<b>-19 264</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>65 904 154</b>	<b>0</b>	<b>116 262</b>	<b>-636 688</b>	<b>0</b>

Changes to the classification are described in the notes listed in the table below:

statement of financial position	Note number	Impact of IFRS 9 *
Cash and balances with Central Bank	13	Y
Amounts due from banks	14	Y
Financial assets	15	Y
Loans and advances to customers	16	Y
Assets pledged as collateral	18	Y

\* The letter Y means that the note presents the change in the classification method related to the implementation of IFRS 9

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The scope of IFRS 15 covers all contracts with customers, with the exception of those contracts that are covered by other standards, in particular IFRS 9 (Financial Instruments).

The core principle of IFRS 15 is the recognition of revenue at the moment of transfer of goods or services to customers, in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services.

In accordance with the new standard, separate obligations to perform the service, ie obligations to provide the customer with separate goods or services are identified in customer contracts. A transaction price is allocated to each separate obligation to provide a service (to a separate good or service). Where the remuneration is variable, the transaction price includes all or part of the amount of the variable remuneration, only to the extent that it is highly probable that there will be no reversal of a significant part of the amount of previously recognized accumulated revenue. Revenue equal to the transaction price is recognized when the benefit is fulfilled or when it is met by providing the promised good or service to the client. In addition, in accordance with IFRS 15, the costs incurred to obtain or fulfil a contract should be recognized as an asset and amortised on a systematic basis that is consistent with the pattern of transfer of goods or services to which the asset relates. The Bank conducted an analysis of contracts with clients in accordance with the model defined in IFRS 15 and did not identify significant differences compared to the requirements specified in IAS 18 effective until the end of 2017.

**New standards that can be applicable to the Alior Bank Group which are not yet binding and which were not previously introduced**

#### **IFRS 16 Leases**

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee's right to use the assets and the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee. The lessee will be required to present the following: (a) assets and liabilities in respect of all leases executed for more than 12 months, except where the underlying asset has low value; and (b) depreciation charge for the leased asset separately from the interest expense on the lease liability in the statement of profit or loss. The principles of accounting for leases by the lessor established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessor continues to use the classification into operating lease and finance lease and accounts for them accordingly.

The Group has already started implementation of the new standard involving reporting, tax, accounting and IT departments, as well as operational units responsible for concluding lease, rental and lease agreements.

### 2.3 Changes in presentation

In relation to the published interim consolidated financial statements as of 31 March 2017 in this report the presentation of interest income and expense in position derivative hedging instruments was changed in order to better reflect the economic character of those transactions and the value of interest income and fee and commission income was changed.

(in PLN '000)

Position of income statement	Were presented 31.03.2017	Changed	Restated 31.03.2017
<b>Interest income</b>	<b>893 381</b>	<b>-46 645</b>	<b>846 736</b>
<b>Interest income on financial instruments by category at amortized cost taking into account the effective interest rate</b>	<b>776 011</b>	<b>-46 645</b>	<b>776 011</b>
term deposits	277	0	277
loans	725 125	-2 835	722 290
available for sale financial assets	38 711	0	38 711
receivables acquired	4 896	0	4 896
repo transactions in securities	0	2 835	2 835
other	7 002	0	7 002
<b>Other interest income</b>	<b>117 370</b>	<b>-46 645</b>	<b>70 725</b>
current accounts	5 963	0	5 963
overnight deposits	283	0	283
derivatives instruments	111 124	-46 645	64 479
<b>Interest expense</b>	<b>-252 996</b>	<b>46 645</b>	<b>-206 351</b>
<b>Interest expense from financial instruments measured at amortized cost including the effective interest rate method</b>	<b>-123 260</b>	<b>0</b>	<b>-123 260</b>
term deposits	-84 885	0	-84 885
own issue	-31 547	0	-31 547
repo transactions in securities	-4 096	0	-4 096
cash deposits	-1 017	0	-1 017
other	-1 715	0	-1 715
<b>Other interest expense</b>	<b>-129 736</b>	<b>46 645</b>	<b>-83 091</b>
current deposits	-24 479	0	-24 479
derivatives	-105 257	46 645	-58 612
<b>Net interest income</b>	<b>640 385</b>	<b>0</b>	<b>640 385</b>

Position of income statement	Were presented 31.03.2017	Changed	Restated 31.12.2017
Interest income including adjustments related to derivative hedging instruments	846 736	20 590	867 326
Fee and commission income	215 317	-20 590	194 727

### 3. Operating segments

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

- Retail Segment;
- Business Segment;
- Treasury Activity.

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 the Business Segment.

The profitability includes:

- margin revenue decreased by financing costs;
- commission income;
- income from treasury and foreign exchange transactions concluded by customers;
- other operating income and expenses.

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

Revenues of the Business Segment also include revenues from the car loans portfolio.

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

#### Results and volumes by segments for the three months ended 31 March 2018

	Retail customers	Business customers	Treasury	Total operating segments	Reconciliation items	Total Group
<b>External interest income</b>	<b>445 306</b>	<b>227 664</b>	<b>58 252</b>	<b>731 222</b>	<b>0</b>	<b>731 222</b>
external income	552 693	297 159	63 045	912 897	0	912 897
income of a similar nature	929	9 925	24 224	35 078	0	35 078
external expense	-108 316	-79 420	-29 017	-216 753	0	-216 753
<b>Internal interest income</b>	<b>29 306</b>	<b>-19 956</b>	<b>-9 350</b>	<b>0</b>	<b>0</b>	<b>0</b>
internal income	255 913	101 867	471 237	829 017	0	829 017
internal expense	-226 607	-121 823	-480 587	-829 017	0	-829 017
<b>Net interest income</b>	<b>474 612</b>	<b>207 708</b>	<b>48 902</b>	<b>731 222</b>	<b>0</b>	<b>731 222</b>
Fee and commission income	92 253	108 775	294	201 322	0	201 322
Fee and commission expense	-40 658	-44 881	-1 956	-87 495	0	-87 495
<b>Net fee and commission income</b>	<b>51 595</b>	<b>63 894</b>	<b>-1 662</b>	<b>113 827</b>	<b>0</b>	<b>113 827</b>
Dividend income	0	0	0	0	0	0
<b>The result on financial assets measured at fair value through profit or loss and trading result</b>	<b>28 681</b>	<b>53 722</b>	<b>7 736</b>	<b>90 139</b>	<b>0</b>	<b>90 139</b>
<b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>3 087</b>	<b>0</b>	<b>11 545</b>	<b>14 632</b>	<b>0</b>	<b>14 632</b>
measured at fair value through other comprehensive income	0	0	11 185	11 185	0	11 185
measured at amortized cost	3 087	0	360	3 447	0	3 447
Other operating income	38 789	16 384	0	55 173	0	55 173
Other operating expenses	-19 296	-5 843	0	-25 139	0	-25 139
<b>Net other operating income</b>	<b>19 493</b>	<b>10 541</b>	<b>0</b>	<b>30 034</b>	<b>0</b>	<b>30 034</b>
<b>Total result before expected credit losses</b>	<b>577 468</b>	<b>335 865</b>	<b>66 521</b>	<b>979 854</b>	<b>0</b>	<b>979 854</b>
Net expected credit losses	-135 101	-103 670	0	-238 771	-1 756	-240 527
<b>Total result after expected credit losses</b>	<b>442 367</b>	<b>232 195</b>	<b>66 521</b>	<b>741 083</b>	<b>-1 756</b>	<b>739 327</b>
General administrative expenses	-374 234	-132 750	-1 317	-508 301	0	-508 301
<b>Gross profit</b>	<b>68 133</b>	<b>99 445</b>	<b>65 204</b>	<b>232 782</b>	<b>-1 756</b>	<b>231 026</b>
Income tax	0	0	0	0	-59 890	-59 890

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Reconciliation items	Total Group
<b>Net profit</b>	<b>68 133</b>	<b>99 445</b>	<b>65 204</b>	<b>232 782</b>	<b>-61 646</b>	<b>171 136</b>
Depreciation						-43 235
Assets	41 443 177	28 197 242	46 944	69 687 362	846 841	70 534 203
Liabilities	41 927 678	22 227 258	13 279	64 168 215	206 407	64 374 622

#### Results and volumes by segments for the three months ended 31 March 2017

	Retail customers	Business customers	Treasury	Total operating segments	Reconciliation items	Total Group
<b>External interest income</b>	<b>530 644</b>	<b>73 905</b>	<b>35 836</b>	<b>640 385</b>	<b>0</b>	<b>640 385</b>
external income	613 043	242 774	37 565	893 381	0	893 381
external expense	-82 399	-168 869	-1 729	-252 996	0	-252 996
<b>Internal interest income</b>	<b>-81 630</b>	<b>98 923</b>	<b>-17 293</b>	<b>0</b>	<b>0</b>	<b>0</b>
internal income	39 850	160 780	526 318	726 948	0	726 948
internal expense	-121 480	-61 857	-543 611	-726 948	0	-726 948
<b>Net interest income</b>	<b>449 014</b>	<b>172 828</b>	<b>18 543</b>	<b>640 385</b>	<b>0</b>	<b>640 385</b>
Fee and commission income	77 796	92 167	324	170 287	45 030	215 317
Fee and commission expense	-36 838	-21 233	-4 992	-63 063	-14 996	-78 059
<b>Net fee and commission income</b>	<b>40 957</b>	<b>70 934</b>	<b>-4 668</b>	<b>107 224</b>	<b>30 034</b>	<b>137 258</b>
Dividend income	0	0	0	0	0	0
Trading and revaluation result	1 226	9 893	61 780	72 899	0	72 899
<b>Net gain (realized) on other financial instruments</b>	<b>27 801</b>	<b>40 770</b>	<b>-68 116</b>	<b>454</b>	<b>0</b>	<b>454</b>
Other operating income	45 454	2 109	-107	47 457	-15 138	32 319
Other operating expenses	-3 315	-3	-3	-3 321	-12 058	-15 379
<b>Net other operating income</b>	<b>42 139</b>	<b>2 106</b>	<b>-110</b>	<b>44 135</b>	<b>-27 195</b>	<b>16 940</b>
<b>Total result before impairment losses</b>	<b>561 137</b>	<b>296 532</b>	<b>7 428</b>	<b>865 097</b>	<b>2 839</b>	<b>867 936</b>
Net impairment allowances and write-downs	-127 019	-82 852	0	-209 871	-1 745	-211 616
Total result after impairment losses	434 118	213 680	7 428	655 226	1 094	656 320
General administrative expenses	-396 684	-140 713	-1 396	-538 793	0	-538 793
<b>Gross profit</b>	<b>37 434</b>	<b>72 967</b>	<b>6 032</b>	<b>116 433</b>	<b>1 094</b>	<b>117 527</b>
Income tax	0	0	0	0	-35 122	-35 122
<b>Net profit</b>	<b>37 434</b>	<b>72 967</b>	<b>6 032</b>	<b>116 433</b>	<b>-34 028</b>	<b>82 405</b>
Depreciation						-45 105
Assets	34 859 455	24 965 270	29 671	59 854 395	565 474	60 419 869
Liabilities	34 825 469	19 226 318	9 183	54 060 969	46 176	54 107 145

#### Notes to the interim condensed consolidated income statement

#### 4. Net interest income

	01.01.2013 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Interest income</b>	<b>912 897</b>	<b>867 326</b>
term deposits	151	277
loans	810 757	742 880
available for sale financial assets	0	38 711
financial assets measured at amortized cost	22 974	n/a
financial assets measured at fair value through other comprehensive income	44 757	n/a
receivables acquired	14 660	4 896
repo transactions in securities	1 125	2 835

(in PLN '000)

	01.01.2013 – 31.03.2018	01.01.2017 – 31.03.2017
other	18 473	7 002
<b>Other interest income</b>	<b>n/a</b>	<b>70 725</b>
current accounts	n/a	5 963
overnight deposits	n/a	283
derivatives instruments	n/a	64 479
<b>Income of a similar nature*</b>	<b>35 078</b>	<b>n/a</b>
current accounts	2 717	n/a
overnight deposits	490	n/a
derivatives instruments	31 871	n/a
<b>Interest expense</b>	<b>-216 753</b>	<b>-206 351</b>
<b>Interest expense from financial instruments measured at amortized cost including the effective interest rate method</b>	<b>-145 631</b>	<b>-123 260</b>
term deposits	-94 796	-84 885
own issue	-43 565	-31 547
repo transactions in securities	-4 286	-4 096
cash deposits	-825	-1 017
other	-2 159	-1 715
<b>Other interest expense</b>	<b>-71 122</b>	<b>-83 090</b>
current deposits	-45 110	-24 479
derivatives	-26 012	-58 612
<b>Net interest income</b>	<b>731 222</b>	<b>660 975</b>

\* Those items were a components of other interest income in the reports for 2017

## 5. Net fee and commission income

	01.01.2013 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Fee and commission income</b>	<b>201 322</b>	<b>194 727</b>
payment and credit cards service	56 686	45 504
maintaining bank accounts	29 258	38 107
brokerage commissions	24 662	28 435
revenue from bancassurance activity	20 862	17 488
loans and advances	25 607	20 783
transfers	15 446	15 716
cash operations	10 313	9 339
guarantees, letters of credit, collection, commitments	3 633	2 965
receivables acquired	2 906	3 911
custody services	2 592	1 994
other commissions	9 357	10 485
<b>Fee and commission expenses</b>	<b>-87 495</b>	<b>-78 059</b>
costs of card and ATM transactions, including costs of cards issued	-43 856	-31 889
commissions paid to agents	-6 536	-7 172
insurance of bank products	-4 247	-5 075
costs of awards for customers	-3 302	-6 737

(in PLN '000)

	01.01.2013 – 31.03.2018	01.01.2017 – 31.03.2017
commissions for access to ATMs	-6 671	-5 135
commissions paid under contracts for performing specific operations	-7 719	-4 382
brokerage commissions	-879	-983
custody services	-385	-478
other commissions	-13 900	-16 208
<b>Net fee and commission income</b>	<b>113 827</b>	<b>116 668</b>

01.01.2018 –31.03.2018	Retail customers	Business customers	Treasury	Total
<b>Fee and commission income</b>	<b>92 253</b>	<b>108 775</b>	<b>294</b>	<b>201 322</b>
payment and credit cards service	25 633	31 053	0	56 686
maintaining bank accounts	11 306	17 952	0	29 258
brokerage commissions	24 662	0	0	24 662
revenue from bancassurance activity	15 474	5 388	0	20 862
loans and advances	3 423	22 184	0	25 607
transfers	3 630	11 816	0	15 446
cash operations	5 877	4 436	0	10 313
guarantees, letters of credit, collection, commitments	0	3 633	0	3 633
receivables acquired	0	2 906	0	2 906
custody services	0	2 592	0	2 592
other commissions	2 248	6 815	294	9 357

01.01.2017 –31.03.2017	Retail customers	Business customers	Treasury	Total
<b>Fee and commission income</b>	<b>96 182</b>	<b>98 221</b>	<b>324</b>	<b>194 727</b>
payment and credit cards service	19 723	25 781	0	45 504
maintaining bank accounts	14 653	23 454	0	38 107
brokerage commissions	28 435	0	0	28 435
revenue from bancassurance activity	17 488	0	0	17 488
loans and advances	3 158	17 625	0	20 783
transfers	4 386	11 330	0	15 716
cash operations	4 274	5 065	0	9 339
guarantees, letters of credit, collection, commitments	0	2 965	0	2 965
receivables acquired	0	3 911	0	3 911
custody services	0	1 994	0	1 994
other commissions	4 065	6 096	324	10 485



(in PLN '000)

## 6. The result on financial assets measured at fair value through profit or loss and trading result

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Foreign exchange transactions	28 822	34 966
Revaluation result	52 448	48 854
Interest rate transactions	1 673	-4 713
Ineffective part of hedge accounting	-2 145	-1 812
The result on other instruments (includes the result on trading in debt securities classified as assets measured at fair value through profit and loss/held for trading with interest)	9 341	-4 396
<b>The result on financial assets measured at fair value through profit or loss and trading result</b>	<b>90 139</b>	<b>72 899</b>

## 7. The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss / Net result realized on other financial instruments (till 31.12.2017)

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Financial assets measured at fair value through other comprehensive income	11 185	n/a
Financial assets measured at amortized cost	3 447	n/a
own issue	359	n/a
investment certificates	1	n/a
result on the receivables sale	3 087	n/a
<b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>14 632</b>	<b>n/a</b>

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Available-for-sale financial assets	n/a	72
Own issue	n/a	382
repurchase income	n/a	384
repurchase losses	n/a	-1
Investment certificates	n/a	0
<b>Net gain (realized) on other financial instruments</b>	<b>n/a</b>	<b>454</b>

## 8. Net other operating income

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Other operating income from:</b>	<b>55 173</b>	<b>32 319</b>
income from contracts with business partners	9 903	9 488
reimbursement of costs of claim enforcement	3 745	9 130
received compensations	6 781	4 432
management of third party assets	5 640	396
reimbursement of fees by customers	0	22
sale of receivables	9 782	0
other	19 322	8 851
<b>Other operating expenses due to:</b>	<b>-25 139</b>	<b>-15 379</b>
fees and costs of claim enforcement	-8 776	-7 571
paid compensations, settlements, complaints	-9 661	-3 575
paid compensations, fines and penalties	-420	-1 238
management of third party assets	-617	-683
awards given to customers	-496	-254
other	-5 169	-2 058
<b>Net other operating income and expense</b>	<b>30 034</b>	<b>16 940</b>

(in PLN '000)

## 9. General administrative expenses

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Payroll costs</b>	<b>-242 220</b>	<b>-265 971</b>
remuneration due to employment contracts	-196 338	-217 608
remuneration surcharges	-41 644	-46 731
revaluation of management option plan – part settled in cash	-2 315	0
other	-1 923	-1 632
<b>General and administrative costs</b>	<b>-171 117</b>	<b>-175 900</b>
lease and building maintenance expenses	-37 739	-54 218
costs of Bank Guarantee Fund	-54 675	-21 712
IT costs	-22 904	-44 284
marketing costs	-19 122	-9 415
cost of advisory services	-8 587	-13 137
external services	-6 529	-13 221
training costs	-5 601	0
costs of telecommunications services	-6 022	3 290
costs of lease of property, plant and equipment and intangible assets	-1 940	-4 645
other	-7 998	-1 522
<b>Amortization and depreciation</b>	<b>-43 235</b>	<b>-45 105</b>
property, plant and equipment	-24 172	-28 454
intangible assets	-19 063	-16 651
<b>Taxes and fees</b>	<b>-1 839</b>	<b>-2 290</b>
<b>Total general administrative expenses</b>	<b>-458 411</b>	<b>-489 266</b>

\*The costs of the Banking Guarantee Fund in the first quarter of 2018 comprise:

1. a contribution to the bank guarantee fund due for the first quarter of 2018 set by BFG in the amount of PLN 16 867 thousand and
2. contribution to the fund of bank's forced restructuring due in 2018 in the amount of PLN 37 808 thousand. In relation to the first quarter of 2017, the Bank changed the accounting approach in recognizing the cost to the fund of bank's forced restructuring. In 2017 the Bank recognized the total cost over the first and second quarters while in the current year the Bank charged the total amount of these costs to the first quarter result.

## 10. Net expected credit losses, impairment allowances and write-downs

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Stage 3</b>	<b>-292 031</b>	<b>n/a</b>
<b>Impairment losses on impaired loans and advances to customers</b>	<b>-292 031</b>	<b>-191 815</b>
retail customers	-153 901	-119 944
business customers	-138 130	-71 871
<b>Financial assets</b>	<b>532</b>	<b>n/a</b>
<b>IBNR for customers without impairment losses</b>	<b>n/a</b>	<b>-17 267</b>
retail customers	n/a	-40 831
business customers	n/a	23 564
<b>Expected credit loss (ECL)</b>	<b>28 026</b>	<b>n/a</b>
<b>Stage 2</b>	<b>19 896</b>	<b>n/a</b>
retail customers	19 652	n/a
business customers	244	n/a
<b>Stage 1</b>	<b>8 130</b>	<b>n/a</b>
retail customers	3 315	n/a
business customers	4 815	n/a

(in PLN '000)

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
POCI	1 288	n/a
Off-balance provisions	23 414	1 087
Property, plant and equipment and intangible assets	-1 756	-3 621
Net expected credit losses, impairment allowances and write-downs	-240 527	-211 616

## 11. Corporate income tax

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Current tax</b>	<b>159 318</b>	<b>75 030</b>
current year	159 318	75 030
<b>Deferred tax</b>	<b>-99 622</b>	<b>-39 908</b>
origination and reversal of temporary differences	-99 622	-39 908
<b>Accounting tax recognized in the income statement</b>	<b>59 696</b>	<b>35 122</b>

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Gross profit</b>	<b>231 026</b>	<b>117 527</b>
Income tax at 19%	43 895	22 331
<b>Non-tax deductible expenses</b>	<b>27 746</b>	<b>14 810</b>
Representation costs	75	40
PFRON (State Fund for Rehabilitation of Persons with Disabilities)	45	427
Impairment losses on loans in the part not covered with deferred tax	6 544	1
Prudential fee to Bank Guarantee Fund	10 388	3 271
The tax financial institutions	9 479	9 410
Donations	2	0
Other	1 213	1 661
<b>Non-taxable revenues</b>	<b>-2 940</b>	<b>-1 845</b>
Release of loan impairment allowances in the part not covered with the deferred tax	-13	-417
Other	-2 927	-1 428
<b>Tax deductible expenses not being accounting expenses</b>	<b>0</b>	<b>-6 540</b>
Costs related to spending on capital increase	0	-6 540
<b>Recognition of tax loss</b>	<b>-396</b>	<b>62</b>
Recognition of assets due to the contribution of receivables to a debt collection company	0	33
Other	-8 415	-269
<b>Accounting tax recognized in the income statement</b>	<b>59 890</b>	<b>35 122</b>
<b>Effective tax rate</b>	<b>25,92%</b>	<b>29,88%</b>

## 12. Earnings per share

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Net profit</b>	<b>171 136</b>	<b>82 405</b>
Weighted average number of ordinary shares	129 276 474	129 257 763
Share options (number) - adjusting instrument	1 367 611	2 568 564
Adjusted weighted average number of shares	130 644 085	131 826 327

(in PLN '000)

Net earnings per ordinary share (PLN)	1.32	0.64
Diluted earnings per one share	1.31	0.63

In compliance with IAS 33, the Bank calculates diluted earnings per share. Diluted earnings per share is calculated as a ratio of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares adjusted by potential ordinary convertible shares. The Bank has one category that may result in dilution of potential ordinary shares: share options. Under the Management Option Scheme in the first quarter of 2018:

- the participants of the program executed 1 179 875 warrants acquiring at the issue price, in accordance with the program assumptions 347 296 series D shares, 514 178 series E shares and 318 401 series F shares;

The number of warrants as at 31 March 2018.

Series of warrants	The number of warrants as at 31 December 2017	The number of warrants executed in the first quarter	The number of warrants as at 31 March 2018 incl:	The number of warrants that can be realised	Number of deferred warrants to be issued in 2018-2019
A	551 366	347 296	204 070	200 264	3 806
B	1 045 919	514 178	531 741	505 970	25 771
C	9 502 011	318 401	631 800	458 430	173 370
	<b>2 547 486</b>	<b>1 179 875</b>	<b>1 367 611</b>	<b>1 164 664</b>	<b>202 947</b>

Notes to the interim condensed consolidated statement of financial position

### 13. Cash and balances with the Central Bank

#### 13.1 Accounting principles - IFRS 9

The table below presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9.

	Original classification under IAS 39	New classification under IFRS 9
Cash and balances with the Central Bank	Loans and receivables	Financial asset measured at amortised cost;

#### 13.2 Financial data

	31.03.2018	31.12.2017
Current account with the Central Bank	976 026	253 092
Term deposit with the central bank	63 702	255 010
Cash	400 217	457 289
<b>Cash and balances with the Central Bank</b>	<b>1 439 945</b>	<b>965 391</b>

### 14. Amounts due from banks

#### 14.1 Accounting principles- IFRS 9

The table below presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

(in PLN '000)

	Original classification under IAS 39	New classification under IFRS 9
Amounts due from banks	Loans and receivables	Financial assets measured at amortized cost

## 14.2 Financial data

Structure by type	31.03.2018	31.12.2017
Current accounts	568 038	627 645
Overnight deposits (O/N)	100 008	10 268
Term deposits	28 067	11 062
Reverse Repo	198 826	58 397
Deposits as derivative transactions (ISDA) collateral	174 987	163 770
Other	57 880	30 487
<b>Amounts due from banks</b>	<b>1 127 806</b>	<b>901 629</b>

## 15. Financial assets

### 15.1 Accounting principles- IFRS 9

The table below presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

	Original classification under IAS 39	New classification under IFRS 9
Financial assets	Financial assets held for trading	Financial assets measured at fair value through profit or loss
Financial assets	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss
Financial assets	Available-for-sale financial assets	Financial assets measured at amortized cost
Financial assets	Available-for-sale financial assets	Financial assets measured at fair value through other comprehensive income
Financial assets	Financial assets held to maturity	Financial assets measured at fair value through profit or loss

### 15.2 Financial data

	31.03.2018	31.12.2017
<b>Financial assets</b>	<b>13 410 165</b>	<b>13 642 769</b>
measured at fair value through other comprehensive income	8 860 222	n/a
measured at fair value through profit or loss	658 316	n/a
measured at amortized cost	3 891 627	n/a
available-for-sale	n/a	12 072 324
held to maturity	n/a	1 117 894
held for trading	n/a	542 551

#### 15.2.1 Financial assets under IFRS 9

(in PLN '000)

Structure by type as at 31.03.2018	measured at fair value through other comprehensive income	measured at fair value through profit or loss	measured at amortized cost
Investments securities	8 860 222	178 857	3 891 627
Debt instruments	8 839 967	156 836	3 891 627
issued by the State Treasury	6 845 443	139 079	3 891 627
<i>T-bonds</i>	6 845 443	139 079	3 891 627
issued by monetary institutions	1 716 384	0	0
<i>Eurobonds</i>	88 133	0	0
<i>Money bills</i>	1 628 251	0	0
issued by other financial institutions	92 076	0	0
<i>Bonds</i>	0	0	0
<i>Eurobonds</i>	92 076	0	0
issued by companies	186 064	17 757	0
<i>Bonds</i>	186 064	17 757	0
Equity instruments	20 255	22 021	0
Derivative financial instruments	0	479 459	0
Interest rate transactions	0	297 413	0
SWAP	0	295 470	0
Cap Floor Options	0	1 943	0
Foreign exchange transactions	0	107 094	0
FX Swap	0	33 086	0
FX forward	0	46 154	0
CIRS	0	9 965	0
FX options	0	17 889	0
Other options	0	47 477	0
Other instruments	0	27 476	0
<b>Total</b>	<b>8 860 222</b>	<b>658 316</b>	<b>3 891 627</b>

### 15.2.2 Financial assets under IAS 39

Structure by type as at 31.03.2017	held for trading	available-for-sale	held to maturity
Investments securities	86 118	12 072 324	1 117 894
Debt instruments	85 735	12 030 778	1 117 894
issued by the State Treasury	85 459	9 651 360	1 117 894
<i>T-bonds</i>	85 459	9 651 360	1 117 894
issued by monetary institutions	0	2 087 331	0
<i>Eurobonds</i>	0	87 665	0
<i>Money bills</i>	0	1 999 666	0
issued by other financial institutions	122	91 387	0
<i>Bonds</i>	122	0	0
<i>Eurobonds</i>	0	91 387	0
issued by companies	154	200 700	0
<i>Bonds</i>	154	200 700	0
Equity instruments	383	41 546	0
Derivative financial instruments	366 433	0	0
Interest rate transactions	189 794	0	0
SWAP	187 694	0	0

(in PLN '000)

Structure by type as at 31.03.2017	held for trading	available-for-sale	held to maturity
Cap Floor Options	2 100	0	0
<b>Foreign exchange transactions</b>	<b>95 660</b>	<b>0</b>	<b>0</b>
FX Swap	18 059	0	0
FX forward	44 851	0	0
CIRS	15 984	0	0
FX options	16 766	0	0
Other options	52 450	0	0
Other instruments	28 529	0	0
<b>Total</b>	<b>452 551</b>	<b>12 072 324</b>	<b>1 117 894</b>

## 16. Loans and advances to customers

### 16.1 Accounting principles - IFRS 9

The table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

	Original classification under IAS 39	New classification under IFRS 9
Loans and advances to customers	Loans and receivables	Financial assets measured at amortized cost

### 16.2 Financial data

Loans and advances to customers	31.03.2108			31.12.2107		
	Gross value	Impairment allowance	Net value	Gross value	Impairment allowance	Net value
<b>Retail segment</b>	<b>30 549 863</b>	<b>-2 446 000</b>	<b>28 103 863</b>	<b>30 146 687</b>	<b>-1 911 961</b>	<b>28 234 726</b>
Consumer loans	18 372 080	-2 294 110	16 077 970	18 337 260	-1 795 399	16 541 861
Loans for residential real estate	9 851 593	-105 942	9 745 651	9 631 679	-83 893	9 547 786
Consumer finance loans	2 326 190	-45 948	2 280 248	2 177 748	-32 669	2 145 079
<b>Business segment</b>	<b>25 206 948</b>	<b>-1 741 465</b>	<b>23 465 483</b>	<b>24 523 628</b>	<b>-1 491 714</b>	<b>23 031 914</b>
Working capital facility	13 025 658	-1 082 567	11 943 091	12 812 843	-908 147	11 904 696
Investment loans	8 869 339	-414 228	8 455 111	8 992 528	-371 922	8 620 606
Other	3 311 951	-244 670	3 067 281	2 718 257	-211 645	2 506 612
<b>Total</b>	<b>55 756 811</b>	<b>-4 187 465</b>	<b>51 569 346</b>	<b>54 670 315</b>	<b>-3 403 675</b>	<b>51 266 640</b>

Loans and advances to customers by method of allowance calculation	31.03.2108			31.12.2017		
	Gross value	Impairment allowance	Net value	Gross value	Impairment allowance	Net value
Stage 3	6 335 005	-3 027 513	3 307 492	n/a	n/a	n/a
individualised method, including:	2 894 454	-870 736	2 023 718	3 033 329	-778 471	2 254 858
with identified impairment	2 332 955	-857 405	1 475 550	2 348 052	-778 471	1 569 581
without identified impairment	561 499	-13 331	548 168	685 277	0	685 277

(in PLN '000)

<b>group method</b>	<b>3 440 551</b>	<b>-2 156 777</b>	<b>1 283 774</b>	<b>3 694 718</b>	<b>-2 297 232</b>	<b>1 397 486</b>
with identified impairment	3 332 322	-2 144 930	1 187 392	3 566 585	-2 297 232	1 269 353
without identified impairment	108 229	-11 847	96 382	128 133	0	128 133
<b>portfolio method (IBNR)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>47 942 268</b>	<b>-327 972</b>	<b>47 614 296</b>
Stage 2	5 597 721	-596 706	5 001 015	n/a	n/a	n/a
Stage 1	43 354 057	-547 497	42 806 560	n/a	n/a	n/a
POCI	470 028	-15 749	454 279	n/a	n/a	n/a
<b>Total</b>	<b>55 756 811</b>	<b>-4 187 465</b>	<b>51 569 346</b>	<b>54 670 315</b>	<b>-3 403 675</b>	<b>51 266 640</b>

\*on 1 January 2018 changes were introduced in the definition of the gross carrying amount with respect to interest for the credit exposure in default, which symmetrically increased the value of the gross exposures and the impairment allowance

Loans and advances to customers – exposure of the Group to the credit risk	31.03.2108			31.12.2017		
	Gross value	Impairment allowance	Net value	Gross value	Impairment allowance	Net value
<b>Stage 3 (with identified impairment, of which):</b>	<b>5 665 277</b>	<b>-3 002 335</b>	<b>2 662 942</b>	<b>5 914 637</b>	<b>-3 075 703</b>	<b>2 838 934</b>
assessed with individualised method	2 332 955	-857 405	1 475 550	2 348 052	-778 471	1 569 581
<b>without identified impairment, of which:</b>	<b>49 621 506</b>	<b>-1 169 381</b>	<b>48 452 125</b>	<b>48 755 678</b>	<b>-327 972</b>	<b>48 427 706</b>
Stage 3 (with recognised individual indication)	669 728	-25 178	644 550	1 664 804	-8 390	1 656 414
not overdue	296 688	-11 547	285 141	1 010 890	-4 283	1 006 607
overdue	373 040	-13 631	359 409	653 914	-4 107	649 807
Stage 1 and Stage 2 /IBNR	48 951 778	-1 144 203	47 807 575	47 090 874	-319 582	46 771 292
not overdue	45 397 288	-789 210	44 608 078	44 204 061	-162 462	44 041 599
overdue	3 554 490	-354 993	3 199 497	2 886 813	-157 120	2 729 693
POCI	470 028	-15 749	454 279	n/a	n/a	n/a
<b>Total</b>	<b>55 756 811</b>	<b>-4 187 465</b>	<b>51 569 346</b>	<b>54 670 315</b>	<b>-3 403 675</b>	<b>51 266 640</b>

Impairment allowances to loans granted to customers – reconciled transfers in first quarter 2018	As at 01.01.2018	Impact on P&L	Established in the period	Reversed in the period	Migrations between stages	Assets written-off	Other	Value at the end of period
Koszyk 1	549 978	-7 724	175 043	-252 475	69 708	0	5243	547 497
Koszyk 2	605 901	-20 521	312 628	-197 769	-135 380	-21	11347	596 706
Koszyk 3	2 701 412	292 250	319 673	-93 095	65 672	1 654	32 197	3 027 513
POCI	17 037	-1 288	80 267	-81 555	0	0	0	15 749
<b>Total</b>	<b>3 874 328</b>	<b>262 717</b>	<b>887 611</b>	<b>-624 894</b>	<b>0</b>	<b>1 633</b>	<b>48 787</b>	<b>4 187 465</b>

Impairment allowances to loans granted to customers – reconciled transfers in first quarter 2017	Value at the beginning of period	Established in the period	Reversed in the period	Assets written-off	Other	Value at the end of period
Retail segment	1 792 905	515 764	-354 989	-89 395	39 537	1 903 822
Business segment	1 268 988	162 869	-114 562	-219	9 221	1 326 297
<b>Total</b>	<b>3 061 893</b>	<b>678 633</b>	<b>-469 551</b>	<b>-89 614</b>	<b>48 758</b>	<b>3 230 119</b>



## 17. Other assets

	31.03.2018	31.12.2017
<b>Sundry debtors</b>	<b>442 742</b>	<b>588 506</b>
Other settlements	239 735	205 999
Receivables from the sale of receivables	4 244	64 979
Receivables related to the sale of services (including insurance)	69 537	61 784
Guarantee deposits	18 881	18 928
Settlements of payment cards	110 345	142 468
Receivables due to settlement of acquisition of the demerged part of BPH	0	94 348
<b>Costs recognised over time</b>	<b>49 403</b>	<b>31 218</b>
Settlements of rental charges and utilities	1 976	1 338
Maintenance and support of systems, servicing of plant and equipment	19 377	14 105
Other deferred costs	28 050	15 775
<b>Other assets</b>	<b>-36</b>	<b>5 238</b>
<b>VAT settlements</b>	<b>107 991</b>	<b>75 013</b>
<b>Other assets(gross)</b>	<b>600 100</b>	<b>699 975</b>
Write-down	-72 976	-73 535
<b>Other assets (net)</b>	<b>527 124</b>	<b>626 440</b>
including financial assets (gross)	442 742	588 506

## 18. Assets pledged as collateral

### 18.1 Accounting principles - IFRS 9 impact

The table below presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

	Original classification under IAS 39	New classification under IFRS 9
Assets pledged as collateral	Available-for-sale financial assets / Financial assets held to maturity	Financial assets measured at amortized cost/ Financial assets measured at fair value through other comprehensive income

### 18.2 Financial data

	31.03.2018	31.12.2017
Treasury bonds blocked for REPO transactions	226 905	77 431
Deposit as collateral of transactions performed in Alior Trader	181	0
Available-for-sale financial assets for sale securing a loan in the EIB	n/d	723
Investment securities held to maturity securing a loan in the EIB	n/d	109 466
Financial assets measured at amortised cost	333 607	221 291
<b>Total</b>	<b>560 693</b>	<b>408 911</b>

(in PLN '000)

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:

	31.03.2018	31.12.2017
Treasury bonds blocked for Bank Guaranteed Fund	324 023	605 719
Deposit as collateral of derivative transactions (ISDA)	174 987	163 770
<b>Total</b>	<b>499 010</b>	<b>769 489</b>

## 19. Amounts due to banks

Structure by type	31.03.2018	31.12.2017
Current deposits	707	673
Overnights	0	1 949
Term deposits	300 028	300 044
Bonds issued	22 590	22 766
Received loan	263 872	266 817
Other liabilities	197 749	221 860
Repo	227 588	77 536
<b>Total amounts due to banks</b>	<b>1 012 534</b>	<b>891 645</b>

## 20. Amounts due to customers

Structure by type and customer segment	31.03.2018	31.12.2017
<b>Retail segment</b>	<b>38 154 225</b>	<b>36 530 860</b>
Current deposits	23 415 405	22 584 687
Term deposits	12 640 201	12 134 722
Banking securities issued	1 838 750	1 574 189
Bonds issued	80 872	81 500
Other liabilities	178 997	155 762
<b>Business segment</b>	<b>20 869 464</b>	<b>21 083 633</b>
Current deposits	8 591 274	9 495 558
Term deposits	10 689 313	9 740 352
Banking securities issued	1 200 814	1 454 213
Bonds issued	147 538	148 684
Other liabilities	240 525	244 826
<b>Total amounts due to customers</b>	<b>59 023 689</b>	<b>57 614 493</b>

In the first quarter of 2018 the Group issued banking securities amounting to PLN 305 130 thousand; securities purchased before maturity amounted to PLN 30 787 thousand.

In 2017 the Group issued banking securities amounting to PLN 2 035 195 thousand; securities purchased before maturity amounted to PLN 112 682 thousand.

## 21. Provisions

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance-sheet liabilities	Restructuring provision	Total provisions
<b>As at 1 January 2018</b>	<b>16 024</b>	<b>13 338</b>	<b>23 677</b>	<b>37 418</b>	<b>90 457</b>
IFRS 9 impact*	0	0	115 816	0	115 816
Established provisions	442	0	73 420	0	73 862
Reversal of provisions	-2 336	-204	-96 834	0	-99 374
Utilisation of provisions	-154	0	0	-5 459	-5 613
Other changes	0	997	50	0	1 047
<b>As at 31 March 2018</b>	<b>13 976</b>	<b>14 131</b>	<b>116 129</b>	<b>31 959</b>	<b>176 195</b>

\*Details at note 2.2

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance-sheet liabilities	Restructuring provision	Total provisions
<b>As at 01 January 2017</b>	<b>8 700</b>	<b>10 754</b>	<b>17 586</b>	<b>249 775</b>	<b>286 815</b>
Established provisions	8 254	10 453	41 130	0	59 837
Reversal of provisions	-636	-7 825	-34 823	-28 143	-71 427
Utilized of provisions	-1 337	-44	0	-184 214	-185 595
Other changes	1 043	0	-216	0	827
<b>As at 31 December 2017</b>	<b>16 024</b>	<b>13 338</b>	<b>23 677</b>	<b>37 418</b>	<b>90 457</b>

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

Split of the restructuring provision as at 31.03.2018 is presented below

	31.12.2017	utilisation	reversal	31.03.2018
Severance pay for employees	815	815	0	0
Reorganisation of the branch network	36 603	4 644	0	31 959
	<b>37 418</b>	<b>5 459</b>	<b>0</b>	<b>31 959</b>

## 22. Other liabilities

	31.03.2018	31.12.2017
Interbank settlements	408 617	723 937
Taxation, customs duty, social and health insurance payables and other public settlements	38 874	36 705
Settlements of payment cards	100 640	150 699
Other settlements, including	199 721	171 534
Settlements with insurers	15 992	16 668
Settlements of banking certificates of deposits	118 356	91 048
Accrued	150 771	146 188
Income received in advance	80 404	79 704
Provision for bancassurance resignations	33 867	38 679

(in PLN '000)

	31.03.2018	31.12.2017
Provision for bonuses	129 860	110 523
Provision for unused holiday	31 574	29 375
Provision for bonuses settled in phantom shares	17 852	16 885
Provision for retention programs	17 033	18 118
Revaluation of management option plan – part settled in cash	12 196	9 881
Other staff provisions	306	1 663
Other liabilities	36 867	49 711
<b>Other liabilities</b>	<b>1 376 938</b>	<b>1 674 650</b>
including financial liabilities	708 978	1 046 170

## 23. Financial liabilities

### 23.1 Accounting principles IFRS 9

The table below presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9

	Original classification under IAS 39	New classification under IFRS 9
Financial liabilities	Financial liabilities held for trading	Financial liabilities measured at fair value through profit or loss

### 23.2 Financial data

Financial liabilities held for trading	31.03.2018	31.12.2017
<b>Bonds</b>	<b>199 524</b>	<b>58 333</b>
<b>Interest rate transactions</b>	<b>264 236</b>	<b>164 276</b>
SWAP	262 301	162 185
Cap Floor Options	1 935	2 091
<b>Foreign exchange transactions</b>	<b>111 079</b>	<b>133 598</b>
FX Swap	41 580	63 816
FX forward	30 181	37 675
CIRS	17 473	16 601
FX options	21 845	15 506
<b>Other options</b>	<b>47 478</b>	<b>52 448</b>
<b>Other instruments</b>	<b>21 141</b>	<b>27 223</b>
<b>Total measured at fair value through profit or loss/ held for trading</b>	<b>643 457</b>	<b>435 878</b>

## 24. Subordinated liabilities

	Nominal value in the currency ('000)	Currency	Term	Specific conditions	Status of liabilities	
					31.03.2018	31.12.2017
Subordinated loan	10,000	EUR	12.10.2011-12.10.2019	The loan may be prepaid subject to a written notification 30 days before the planned repayment.	42 264	41 892
Series F bonds	321,700	PLN	26.09.2014-26.09.2024		321 961	325 930
Series G bonds	192,950	PLN	31.03.2015-31.03.2021		192 977	195 560
Series I bonds	150,000	PLN	06.12.2015-06.12.2021		152 502	150 594
Series II bonds	33,350	PLN	06.12.2015-06.12.2021		33 906	33 482
Series B bonds (Meritum Bank)	67,200	PLN	29.04.2013-29.04.2021		69 080	67 796
Series C bonds (Meritum Bank)	80,000	PLN	21.10.2014-21.10.2022		81 682	80 494

(in PLN '000)

Series EUR001 bonds	10,000	EUR	04.02.2016- 04.02.2022	42 473	42 738
Series P1A bonds	150,000	PLN	27.04.2016- 16.05.2022	152 833	150 006
Series P1B bonds	70,000	PLN	29.04.2016- 16.05.2024	71 256	70 427
Series K bonds	400,000	PLN	20.10.2017- 20.10.2025	408 040	403 600
Series K1 bonds	200,000	PLN	20.10.2017- 20.10.2025	204 020	201 800
Series P2A bonds	150,000	PLN	14.12.2017- 29.12.2025	152 340	150 657
<b>Subordinated liabilities</b>				<b>1 925 334</b>	<b>1 914 976</b>

## 25. Fair value hierarchy

The carrying amounts of financial assets and liabilities by categories (levels) of valuation are presented below.

There were no movements between valuation levels.

31.03.2018	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Measured at fair value through profit and loss</b>	<b>150 400</b>	<b>421 284</b>	<b>86 832</b>	<b>658 316</b>
SWAP	0	295 470	0	295 470
Cap Floor Options	0	1 943	0	1 943
FX Swap	0	33 086	0	33 086
FX forward	0	46 154	0	46 154
CIRS	0	9 965	0	9 965
FX options	0	17 889	0	17 889
Other options	0	36	47 440	47 476
Other instruments	10 735	16 741	0	27 476
<b>Financial derivatives</b>	<b>10 735</b>	<b>421 284</b>	<b>47 440</b>	<b>479 459</b>
Money bills	0	0	0	0
Equity instruments	0	0	22 021	22 021
Treasury bonds	139 079	0	0	139 079
Other bonds	586	0	17 171	17 757
<b>Investments securities</b>	<b>139 665</b>	<b>0</b>	<b>39 192</b>	<b>178 857</b>
<b>Measured at fair value through other comprehensive income</b>	<b>7 025 652</b>	<b>1 628 251</b>	<b>206 319</b>	<b>8 860 222</b>
Money bills	0	1 628 251	0	1 628 251
Equity instruments	0	0	20 255	20 255
Treasury bonds	6 845 443	0	0	6 845 443
Other bonds	180 209	0	186 064	366 273
<b>Derivative hedging instruments</b>	<b>0</b>	<b>56 660</b>	<b>0</b>	<b>56 660</b>
Interest rate transactions – SWAP	0	56 660	0	56 660
<b>31.12.2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
<b>Financial assets held for trading</b>	<b>95 992</b>	<b>304 839</b>	<b>51 720</b>	<b>452 551</b>
Shares	294	0	0	294
Bonds	85 735	0	0	85 735

(in PLN '000)

31.12.2017	Level 1	Level 2	Level 3	Total
Certificates	89	0	0	89
SWAP	0	187 694	0	187 694
Cap Floor Options	0	2 100	0	2 100
FX Swap	0	18 059	0	18 059
FX forward	0	44 851	0	44 851
CIRS	0	15 984	0	15 984
FX options	0	16 766	0	16 766
Other options	0	730	51 720	52 450
Other instruments	9 874	18 655	0	28 529
<b>Available for sale financial assets</b>	<b>9 830 411</b>	<b>1 999 666</b>	<b>242 247</b>	<b>12 072 324</b>
Money bills	0	1 999 666	0	1 999 666
Equity instruments	0	0	41 546	41 546
Treasury bonds	9 651 360	0	0	9 651 360
Other bonds	179 051	0	200 701	379 752
<b>Derivative hedging instruments</b>	<b>0</b>	<b>87 785</b>	<b>0</b>	<b>87 785</b>
Interest rate transactions – SWAP	0	87 785	0	87 785

31.03.2018	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>211 060</b>	<b>384 957</b>	<b>47 440</b>	<b>643 457</b>
Bonds	199 524	0	0	199 524
SWAP	0	262 301	0	262 301
Cap Floor Options	0	1 935	0	1 935
FX Swap	0	41 580	0	41 580
FX forward	0	30 181	0	30 181
CIRS	0	17 473	0	17 473
FX options	0	21 846	0	21 846
Other options	0	36	47 440	47 476
Other instruments	11 536	9 605	0	21 141
<b>Derivative hedging instruments</b>	<b>0</b>	<b>10 068</b>	<b>0</b>	<b>10 068</b>
Interest rate swaps - IRS	0	10 068	0	10 068

31.12.2017	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading</b>	<b>79 004</b>	<b>305 155</b>	<b>51 719</b>	<b>435 878</b>
Bonds	58 333	0	0	58 333
SWAP	0	162 185	0	162 185
Cap Floor Options	0	2 091	0	2 091
FX Swap	0	63 816	0	63 816
FX forward	0	37 675	0	37 675
CIRS	0	16 601	0	16 601
FX options	0	15 506	0	15 506
Other options	0	729	51 719	52 448
Other instruments	20 671	6 552	0	27 223

(in PLN '000)

31.12.2017	Level 1	Level 2	Level 3	Total
<b>Derivative hedging instruments</b>	<b>0</b>	<b>5 419</b>	<b>0</b>	<b>5 419</b>
Interest rate swaps - IRS	0	5 419	0	5 419

#### Reconciliation of changes at level 3 of the fair value hierarchy

	Assets		Liabilities	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
<b>Opening balance</b>	<b>293 967</b>	<b>401 012</b>	<b>51 719</b>	<b>25 492</b>
<b>Increases, of which:</b>	<b>11 839</b>	<b>18 741</b>	<b>7 772</b>	<b>16 760</b>
Valuation recognised in other comprehensive income	2 959	711	0	0
Interest recognised in other comprehensive income	1 432	1 403	0	0
Valuation recognised in income statement	3 829	7 367	4 139	7 377
Interest recognised in income statement	0	0	0	0
Purchases	3 619	9 260	3 633	9 383
<b>Decreases, of which:</b>	<b>-12 855</b>	<b>-101 596</b>	<b>-12 051</b>	<b>-15 841</b>
Valuation recognised in other comprehensive income	0	-3 006	0	0
Interest recognised in other comprehensive income	0	-673	0	0
Valuation recognised in income statement	-11 667	-1 943	-11 544	-1 794
Interest recognised in income statement	-4	0	0	0
Sale/redemption	-1 184	-95 974	-507	-14 047
<b>Total</b>	<b>292 951</b>	<b>318 157</b>	<b>47 440</b>	<b>26 411</b>

At the end of the first quarter of 2018, the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 20.9 million and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 2 million.

#### Fair value measurement for the purposes of disclosures

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

31.03.2018	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and balance with Central Bank	1 439 945	1 439 945	0	0	1 439 945
Amount due from banks	1 127 806	0	1 127 806	0	1 127 806
Loans and advances to customers	51 569 346	0	0	50 383 710	50 383 710
<b>Retail segment</b>	<b>28 103 863</b>	<b>0</b>	<b>0</b>	<b>27 001 712</b>	<b>27 001 712</b>
Consumer loans	16 077 970	0	0	15 576 282	15 576 282
Loans for residential real estate	9 745 651	0	0	9 129 187	9 129 187
Consumer finance loans	2 280 248	0	0	2 296 243	2 296 243
<b>Corporate segment</b>	<b>23 465 483</b>	<b>0</b>	<b>0</b>	<b>23 381 998</b>	<b>23 381 998</b>
Working capital facility	11 943 091	0	0	11 939 494	11 939 494
Investment loans	8 455 111	0	0	8 375 227	8 375 227
Other	3 067 281	0	0	3 067 277	3 067 277
Asstes pledged as collateral	560 693	560 693	0	0	560 693
Investment securities measured at amortized cost	3 891 627	3 872 269	0	0	3 872 269
Other assets	442 742	0	0	442 742	442 742
<b>Liabilities</b>					
<b>Amounts due to banks</b>	<b>1 012 534</b>	<b>0</b>	<b>1 012 534</b>	<b>0</b>	<b>1 012 534</b>
Current deposits	707	0	707	0	707
Overnights	0	0	0	0	0
Term deposits	300 028	0	300 028	0	300 028

(in PLN '000)

31.03.2018	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Bonds issued	22 590	0	22 590	0	22 590
Credit received	263 872	0	263 872	0	263 872
Other liabilities	197 749	0	197 749	0	197 749
Repo	227 588	0	227 588	0	227 588
<b>Amounts due to customers</b>	<b>59 023 689</b>	<b>0</b>	<b>0</b>	<b>59 033 366</b>	<b>59 033 366</b>
Current deposits	32 006 679	0	0	32 006 679	32 006 679
Term deposits	23 329 514	0	0	23 329 514	23 329 514
Banking securities issued	3 039 564	0	0	3 049 241	3 049 241
Bonds issued	228 410	0	0	228 410	228 410
Other liabilities	419 522	0	0	419 522	419 522
<b>Other liabilities</b>	<b>708 978</b>	<b>0</b>	<b>0</b>	<b>708 978</b>	<b>708 978</b>
<b>Subordinated liabilities</b>	<b>1 925 334</b>	<b>0</b>	<b>0</b>	<b>1 925 334</b>	<b>1 925 334</b>

31.12.2017	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and balance with Central Bank	965 391	965 391	0	0	965 391
Amount due from banks	901 629	0	901 629	0	901 629
Loans and advances to customers	51 266 640	0	0	50 226 263	50 226 263
<b>Retail segment</b>	<b>28 234 726</b>	<b>0</b>	<b>0</b>	<b>27 253 218</b>	<b>27 253 218</b>
Consumer loans	16 541 861	0	0	16 145 458	16 145 458
Loans for residential real estate	9 547 786	0	0	8 942 186	8 942 186
Consumer finance loans	2 145 079	0	0	2 165 574	2 165 574
<b>Corporate segment</b>	<b>23 031 914</b>	<b>0</b>	<b>0</b>	<b>22 973 045</b>	<b>22 973 045</b>
Working capital facility	11 904 696	0	0	12 862 858	12 862 858
Investment loans	8 620 606	0	0	8 561 212	8 561 212
Other	2 506 612	0	0	1 548 975	1 548 975
<b>Assets pledged as collateral</b>	<b>408 911</b>	<b>408 911</b>	<b>0</b>	<b>0</b>	<b>408 911</b>
Investment securities held to maturity	1 117 894	1 122 170	0	0	1 122 170
Other assets	626 440	0	0	626 440	626 440
<b>Liabilities</b>					
<b>Amounts due to banks</b>	<b>891 645</b>	<b>0</b>	<b>891 645</b>	<b>0</b>	<b>891 645</b>
Current deposits	673	0	673	0	673
Overnights	1 949	0	1 949	0	1 949
Term deposits	300 044	0	300 044	0	300 044
Bonds issued	22 766	0	22 766	0	22 766
Credit received	266 817	0	266 817	0	266 817
Other liabilities	221 860	0	221 860	0	221 860
Repo	77 536	0	77 536	0	77 536
<b>Amounts due to customers</b>	<b>57 614 493</b>	<b>0</b>	<b>0</b>	<b>57 615 283</b>	<b>57 615 283</b>
Current deposits	32 080 245	0	0	32 080 245	32 080 245
Term deposits	21 875 074	0	0	21 875 074	21 875 074
Banking securities issued	3 028 402	0	0	3 029 192	3 029 192
Bonds issued	230 184	0	0	230 184	230 184
Other liabilities	400 588	0	0	400 588	400 588
<b>Other liabilities</b>	<b>1 046 170</b>	<b>0</b>	<b>0</b>	<b>1 046 170</b>	<b>1 046 170</b>
<b>Subordinated liabilities</b>	<b>1 914 976</b>	<b>0</b>	<b>0</b>	<b>1 914 976</b>	<b>1 914 976</b>



## 26. Capital adequacy ratio and Tier 1 ratio

For the purpose of including the consolidated financial result into own funds and calculating the capital adequacy ratio in 2018, prudential consolidation was applied in accordance with art. 26 (2) of CRR - Alior Bank SA and Alior Leasing sp. z o.o. are the entities being consolidated.

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

The consolidated prudent profit for the current period may be included in consolidated Tier 1 capital in the calculation of the consolidated Tier 1 capital ratio and the consolidated total capital ratio after prior approval of the Financial Supervision Authority (KNF).

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, apart from including in the consolidation only Alior Bank SA and Alior Leasing sp. z o.o. in accordance with the statement above.

	01.01.2018 - 31.03.2018
Interest income	912 944
Income of a similar nature	35 078
Interest expense	-216 762
<b>Net interest income</b>	<b>731 260</b>
Fee and commission income	200 214
Fee and commission expense	-86 099
<b>Net fee and commission income</b>	<b>114 115</b>
The result on financial assets measured at fair value through profit or loss and trading result	90 142
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss including:	14 632
measured at fair value through other comprehensive income	11 185
measured at amortized cost	3 447
Other operating income	51 342
Other operating costs	-25 116
<b>Net other operating income and expenses</b>	<b>26 226</b>
General administrative expenses	-456 768
Net expected credit losses	-240 510
Banking tax	-49 890
<b>Gross profit</b>	<b>229 207</b>
Income tax	-59 551
<b>Net profit</b>	<b>169 656</b>

## Equity for the purposes of the capital adequacy

	31.03.2018	31.12.2017
<b>Total own funds for the capital adequacy ratio</b>	<b>7 767 791</b>	<b>7 651 277</b>
Common equity Tier I capital	6 091 694	6 080 277
Tier II capital	1 676 097	1 563 000
Share paid	1 292 788	1 292 636
Supplementary capital components	4 829 918	4 817 483
Other capital	184 894	184 894
Profit verified by auditor	366 348	366 348
Accumulated losses	-96 332	-63 514
Revaluation reserve – unrealized losses	-6 112	-14 357
Intangible assets at carrying amount	-511 316	-516 122

(in PLN '000)

	31.03.2018	31.12.2017
Revaluation reserve – unrealized gains	110 221	42 337
Subordinated liabilities	1 676 097	1 563 000
Additional value adjustments	-78 715	-21 428
<b>Capital requirements</b>	<b>4 030 406</b>	<b>4 024 070</b>
Total capital requirements for the following risks: credit, counterparty, adjustment to credit measurement, dilution and for delivery of instruments to be settled at a later date	3 576 485	3 535 517
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX.	1 538	4 826
Capital requirement relating to the general interest rate risk	50 554	46 612
Total capital requirements for the operational risk	401 829	437 115
<b>Tier 1 ratio</b>	<b>12,09%</b>	<b>12,10%</b>
<b>Total capital adequacy ratio</b>	<b>15,42%</b>	<b>15,21%</b>

## 27. Off-balance-sheet items

Off-balance sheet liabilities granted	31.03.2018	31.12.2017
<b>Off-balance sheet liabilities granted</b>	<b>12 136 652</b>	<b>12 498 037</b>
<b>Relating to financing</b>	<b>10 894 152</b>	<b>11 253 862</b>
<b>Guarantees</b>	<b>1 242 500</b>	<b>1 244 175</b>
Performance guarantees	276 705	277 904
Financial guarantees	965 795	966 271

## 28. Transactions with related parties

The ultimate parent company of the Group is Powszechny Zakład Ubezpieczeń SA.

The related parties of the Group are PZU SA and its related entities and entities related to members of the Management and Supervisory Boards. Through PZU, Alior Bank is indirectly controlled by the State Treasury. The following tables present the type and value of transactions with related parties. Transactions between the Bank and its subsidiaries which are related parties of the Bank have been eliminated in consolidation and are not disclosed in this note.

Parent company	31.03.2018	31.12.2017
<b>Liabilities</b>		
Amounts due to customers	76	76
Provisions	0	6
<b>Total liabilities</b>	<b>76</b>	<b>82</b>

Subsidiaries of the parent company	31.03.2018	31.12.2017
<b>Assets</b>		
Financial assets	172 144	81 656
measured at fair value through other comprehensive income	171 989	n/d
measured at fair value through profit or loss	155	n/d
held for trading	n/d	1 382
available-for-sale	n/d	80 274
Derivative hedging instruments	843	483
Amounts due from banks	677	247
Loans and advances to customers	0	44
Other assets	0	38
<b>Total assets</b>	<b>173 664</b>	<b>82 468</b>

(in PLN '000)

Subsidiaries of the parent company	31.03.2018	31.12.2017
Liabilities and equity		
Financial liabilities held for trading	n/a	458
Financial liabilities measured at fair value through profit or loss	115	n/a
Derivative hedging instruments	92	0
Amounts due to customers	211 475	183 763
Provisions	3	4
Other liabilities	0	41
IFRS 9 impact	-1 348	0
Revaluation reserve	-1 261	1 306
<b>Total liabilities</b>	<b>209 076</b>	<b>185 572</b>

Parent company	31.03.2018	31.12.2017
<b>Off-balance sheet liabilities granted to customers</b>	<b>15 000</b>	<b>15 000</b>
guarantees	15 000	15 000

Subsidiaries of the parent company	31.03.2018	31.12.2017
<b>Off-balance sheet liabilities granted to customers</b>	<b>49 560</b>	<b>10 000</b>
derivative instruments	39 560	0
guarantees	10 000	10 000

Joint control by persons related to the Group	31.03.2018	31.12.2017
Assets		
Loans and advances to customers	0	7
<b>Total assets</b>	<b>0</b>	<b>7</b>
Liabilities		
Amounts due to customers	11 078	24 386
<b>Total liabilities</b>	<b>11 078</b>	<b>24 386</b>

Joint control by persons related to the Group	31.03.2018	31.12.2017
<b>Off-balance sheet liabilities granted to customers</b>	<b>7</b>	<b>0</b>
Relating to financing	7	0

Parent company	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Interest expense	0	0
Fee and commission income	1	3
General administrative expenses	-543	0
<b>Total</b>	<b>-542</b>	<b>3</b>

Subsidiaries of the parent company	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Interest income	30	85
Interest expense	-1 627	-842
Fee and commission income	2 204	31
Fee and commission expense	-1	0
The result on financial assets measured at fair value through profit or loss and trading result	-935	0
General administrative expenses	0	0
<b>Total</b>	<b>48</b>	<b>-726</b>

Subsidiaries of the parent company	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Interest expense	-85	-209
Fee and commission income	4	2
<b>Total</b>	<b>-81</b>	<b>-207</b>

### Nature of transactions with related parties

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

The interest rates on loans granted to related entities fell within the range of 4.12% to 14%, and the interest rates on deposits were within the range of 0% to 3.00%.

### Transactions with the State Treasury and related entities

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

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

State Treasury and related entities	31.03.2018	31.12.2017
Financial assets	11 621 298	11 447 187
held for trading	n/d	85 459
available-for-sale	n/d	10 022 542
held to maturity	n/d	1 339 186
measured at fair value through other comprehensive income	156 250	n/a
measured at fair value through profit or loss	7 083 669	n/a
measured at amortized cost	4 381 379	n/a
Amounts due from banks	77	293
Loans and advances to customers	30 887	33 241
<b>Total assets</b>	<b>11 652 262</b>	<b>11 480 721</b>
Financial liabilities	199 524	58 333
held for trading	n/d	58 333
measured at fair value through profit or loss	199 524	n/a
Amounts due to banks	343 842	339 798
Amounts due to customers	1 752 775	1 248 970
<b>Total liabilities</b>	<b>2 296 141</b>	<b>1 647 101</b>

Transactions with the State Treasury and related entities	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
Interest income	27 427	32 547
Interest expense	-6 075	-2 721
Costs of tax paid	-209 208	-124 557
<b>Total</b>	<b>-187 856</b>	<b>-94 731</b>

### 29. Transactions and remuneration of members of the management and supervisory bodies

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

The table below presents transactions with the members of the management and supervisory bodies

31.03.2018	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	202	0	202
<b>Total assets</b>	<b>202</b>	<b>0</b>	<b>202</b>
Amounts due to customers	7 141	655	6 486
<b>Total liabilities</b>	<b>7 141</b>	<b>655</b>	<b>6 486</b>

31.03.2018	Supervising, managing persons	Supervisory Board	Bank's Management Board
<b>Off-balance sheet liabilities granted to customers</b>			
Relating to financing	14	0	14

The total remuneration of the Bank's Supervisory Board members and Management Board members performing their duties from 1 January to 31 March 2018 recognized in the Group's profit and loss account for this period amounted to PLN 2 885 thousand (in the period from 1 January to 31 March 2017 it amounted to PLN 8 885 thousand).

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

### 30. Incentive program for senior executives

Alior Bank SA operates the following incentive programs:

- management option scheme, valid for 2013-2015, in accordance with the Compensation Policy of Variable Remuneration of Persons Holding Management Positions at Alior Bank, this program will be settled by 2020;
- bonus scheme for the Management Board, valid from 2016;
- the annual variable remuneration paid in financial instruments (phantom shares) to managers.
- share subscription program as part of the management option scheme at Alior Leasing sp. o.o.

These programs are a continuation of the programs described in Alior Bank's consolidated financial statements dated on 31 December 2017.

### 31. Legal claims

The value of proceedings relating to liabilities or receivables of the Bank in progress during first quarter of 2018 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 quarter of 2018, and none of the proceedings jointly, could pose a threat the Bank's financial liquidity.

The value of disputed claims amounted to PLN 214 421 thousand as at the end of the first quarter of 2018 and PLN 220 598 thousand as at the end of 2017.

The value of provisions for disputed claims amounted to PLN 13 976 thousand as at the end of the first quarter of 2018 and PLN 16 024 thousand as at the end of 2017.

### 32. Purchases and disposals of property, plant and equipment and intangible assets

During the first quarter of 2018 there were no material purchases or disposals of property, plant and equipment or of intangible assets. There are no significant liability for the purchase of property, plant and equipment.

### 33. Appropriation of the profit for 2017 and information on no dividend payment

Until the date of publication of this report, the Annual General Shareholder's Meeting of Alior Bank did not pass a resolution on the distribution of profit for 2017. The Bank's Management Board is going to recommend to the General Shareholders Meeting of the Bank no dividend payment for 2017 which is in line with the Bank's strategy and individual recommendations of the Polish Financial Supervision Authority to increase the Bank's own funds by retaining all profits from 1 January to 31 December 2017.

None of the Group's entities paid dividends for 2017.

### 34. Risk management

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

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

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2017 published on 8 March 2018 and available on the Alior Bank SA website.

#### Liquidity risk

Specification of maturity/payment dates of contractual flows of the Bank's assets and liabilities as at 31 March 2018 (PLN M):

31.03.2018	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
<b>ASSETS</b>	<b>2 275</b>	<b>3 213</b>	<b>2 118</b>	<b>2 677</b>	<b>5 149</b>	<b>8 673</b>	<b>21 409</b>	<b>41 415</b>	<b>86 929</b>
Cash & Nostro	2 001	0	0	0	0	0	0	0	2 001
Amounts due from banks	0	389	0	0	0	179	0	0	568
Securities	0	1 645	42	71	161	1 274	6 119	5 555	14 867
Loans and advances to customers	274	1 179	2 076	2 606	4 988	7 220	15 290	32 840	66 473
Other assets	0	0	0	0	0	0	0	3 020	3 020
<b>LIABILITIES AND EQUITY</b>	<b>-33 806</b>	<b>-9 147</b>	<b>-7 637</b>	<b>-5 317</b>	<b>-3 670</b>	<b>-1 606</b>	<b>-2 245</b>	<b>-7 863</b>	<b>-71 291</b>
Amounts due to banks	-1	-471	-311	-6	-13	-212	-54	-128	-1 196
Amounts due to customers	-33 805	-6 541	-7 071	-4 916	-3 014	-310	-232	-60	-55 949
Own issues	0	-119	-255	-395	-643	-1 084	-1 959	-1 272	-5 727
Equity	0	0	0	0	0	0	0	-6 220	-6 220
Other liabilities	0	-2 016	0	0	0	0	0	-183	-2 199
<b>Balance sheet gap</b>	<b>-31 531</b>	<b>-5 934</b>	<b>-5 519</b>	<b>-2 640</b>	<b>1 479</b>	<b>7 067</b>	<b>19 164</b>	<b>33 552</b>	<b>15 638</b>
<b>Cumulated balance sheet gap</b>	<b>-31 531</b>	<b>-37 465</b>	<b>-42 984</b>	<b>-45 624</b>	<b>-44 145</b>	<b>-37 078</b>	<b>-17 914</b>	<b>15 638</b>	
Derivative instruments – inflows	0	5 978	2 343	473	549	418	220	43	10 024

(in PLN '000)

31.03.2018	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Derivative instruments – outflows	0	-5 995	-2 315	-472	-555	-418	-239	-43	-10 037
<b>Derivative instruments – net</b>	<b>0</b>	<b>-17</b>	<b>28</b>	<b>1</b>	<b>-6</b>	<b>0</b>	<b>-19</b>	<b>0</b>	<b>-13</b>
Guarantee and financing lines	-8 310	-4	-63	-43	-125	-183	-6	-3 402	-12 136
<b>Off-balance sheet gap</b>	<b>-8 310</b>	<b>-21</b>	<b>-35</b>	<b>-42</b>	<b>-131</b>	<b>-183</b>	<b>-25</b>	<b>-3 402</b>	<b>-12 149</b>
<b>Total gap</b>	<b>-39 841</b>	<b>-5 955</b>	<b>-5 554</b>	<b>-2 682</b>	<b>1 348</b>	<b>6 884</b>	<b>19 139</b>	<b>30 150</b>	<b>3 489</b>
<b>Total cumulated gap</b>	<b>-39 841</b>	<b>-45 796</b>	<b>-51 350</b>	<b>-54 032</b>	<b>-52 684</b>	<b>-45 800</b>	<b>-26 661</b>	<b>3 489</b>	

Specification of maturity/payment dates of contractual flows of the Bank's assets and liabilities as at 31 December 2017 (PLN M):

31.12.2017	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
<b>ASSETS</b>	<b>6 589</b>	<b>3 561</b>	<b>2 251</b>	<b>2 842</b>	<b>5 595</b>	<b>8 980</b>	<b>22 353</b>	<b>33 307</b>	<b>85 478</b>
Cash & Nostro	1 366	0	0	0	0	0	0	0	1 366
Amounts due from banks	0	332	0	0	0	164	0	0	496
Securities	0	2 045	1	59	208	1 289	6 480	4 898	14 980
Loans and advances to customers	5 223	1 184	2 250	2 783	5 387	7 527	15 873	27 227	67 454
Other assets	0	0	0	0	0	0	0	1 182	1 182
<b>LIABILITIES AND EQUITY</b>	<b>-34 083</b>	<b>-8 202</b>	<b>-6 731</b>	<b>-5 140</b>	<b>-3 876</b>	<b>-1 744</b>	<b>-2 174</b>	<b>-8 263</b>	<b>-70 213</b>
Amounts due to banks	-4	-136	-303	-9	-31	-268	-132	-66	-949
Amounts due to customers	-34 079	-5 594	-6 244	-4 760	-3 151	-258	-195	-65	-54 346
Own issues	0	-100	-184	-371	-694	-1 218	-1 847	-1 280	-5 694
Equity	0	0	0	0	0	0	0	-6 762	-6 762
Other liabilities	0	-2 372	0	0	0	0	0	-90	-2 462
<b>Balance sheet gap</b>	<b>-27 494</b>	<b>-4 641</b>	<b>-4 480</b>	<b>-2 298</b>	<b>1 719</b>	<b>7 236</b>	<b>20 179</b>	<b>25 044</b>	<b>15 265</b>
<b>Cumulated balance sheet gap</b>	<b>-27 494</b>	<b>-32 135</b>	<b>-36 615</b>	<b>-38 913</b>	<b>-37 194</b>	<b>-29 958</b>	<b>-9 779</b>	<b>15 265</b>	
Derivative instruments – inflows	0	5 029	1 593	1 600	701	364	307	43	9 637
Derivative instruments – outflows	0	-5 048	-1 618	-1 588	-707	-363	-324	-42	-9 690
<b>Derivative instruments – net</b>	<b>0</b>	<b>-19</b>	<b>-25</b>	<b>12</b>	<b>-6</b>	<b>1</b>	<b>-17</b>	<b>1</b>	<b>-53</b>
Guarantee and financing lines	-11 711	-8	-32	-108	-200	-113	-6	-321	-12 499
<b>Off-balance sheet gap</b>	<b>-11 711</b>	<b>-27</b>	<b>-57</b>	<b>-96</b>	<b>-206</b>	<b>-112</b>	<b>-23</b>	<b>-320</b>	<b>-12 552</b>
<b>Total gap</b>	<b>-39 205</b>	<b>-4 668</b>	<b>-4 537</b>	<b>-2 394</b>	<b>1 513</b>	<b>7 124</b>	<b>20 156</b>	<b>24 724</b>	<b>2 713</b>
<b>Total cumulated gap</b>	<b>-39 205</b>	<b>-43 873</b>	<b>-48 410</b>	<b>-50 804</b>	<b>-49 291</b>	<b>-42 167</b>	<b>-22 011</b>	<b>2 713</b>	

### 35. Events significant to the business operations of the Bank's Group

Execution of the 2013, 2014 and 2015 Managerial Options Scheme and increase of the Bank's share capital through a conditional share capital increase

As part of the Management Option Scheme for 2013, 2014 and 2015, in July 2017 the Bank began the process of increasing the share capital of the Bank through conditional share capital increase by issuing new ordinary bearer shares of D, E and F series amounting to PLN 11 798 750 which are 39.6% of all possible exercisable rights granted to the participants of the Subscription Warrants (nominal value of the program is

PLN 29 792 660.00). The new issue is addressed to managers and will be equal to 0.91% of currently issued shares.

On 29 March 2018, the following ordinary bearer shares of the Bank, with a nominal value of PLN 10 (ten zlotys) each and assigned ISIN code "PLNALIOR00045", were registered with the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych SA) :

- 347 296 (three hundred forty seven thousand two hundred ninety six) series D shares;
- 514 178 (five hundred fourteen thousand one hundred seventy eight) series E shares;
- 318 401 (three hundred eighteen thousand four hundred one) series F shares.

On the same day, these shares were introduced by way of an ordinary procedure to trading on the main market.

### Payment of deferred variable remuneration for 2014 and 2015

On 28 March 2018, the Supervisory Board of Alior Bank SA adopted a resolution on the issue to the members of the Management Board of deferred financial instruments under the Management Options Scheme for 2014 and 2015. Pursuant to § 23 par. 2 point 11 of the Statute of the Bank, in relation to the Policy of variable components of remuneration of persons occupying managerial positions in Alior Bank SA and pursuant to Resolution No. 28/2012 of the Extraordinary General Meeting of Alior Bank SA of 19 October 2012 on the conditional increase of the Bank's share capital and the issue of subscription warrants, the Bank granted consent for the issuance of deferred warrants and the phantom shares assigned to them as a result of the adjustment of the Program in connection with the issue of pre-emptive shares:

- 5 935 series A subscription warrants with a par value of PLN 61.84 and 3 514 phantom shares with a par value of PLN 50.43;
- 17 616 series B subscription warrants with a par value of PLN 64.65 and 9 604 phantom shares with a par value of PLN 52.72;
- 18 175 series C subscription warrants with a par value of PLN 66.06 and 9 202 phantom shares with a par value of PLN 53.87.

### Change in shares in the total number of votes

On 19 and 24 April 2018 the Management Board of the Bank received notifications from BlackRock, Inc. about a change in the share in the total number of votes at the General Meeting of the Bank prepared on the basis of ESMA / 2015/1597 standards. In accordance with the received notifications, BlackRock, Inc indirectly holds 7 392 649 votes at the General Meeting of the Bank in the form of 6 898 750 shares of the Bank entitling to 5.29% of votes at the General Meeting and other financial instruments giving a total of 0.38% of votes at the General Meeting of the Bank.

## 36. Significant events after the end of the reporting period

### The transaction between entities from the Alior Bank SA's Group

On 26 April 2018, the Bank concluded with its subsidiary Alior Leasing Sp. z o.o. with its registered office in Wrocław, annexes to credit agreements in the current account concluded on 25 March 2016.

As a result of the annexes signed, the Bank's total exposure to Alior Leasing increased to PLN 1 624 830 thousand.



### 37. Financial forecast

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

### 38. Factors which could have an impact on the results in the perspective of the following quarter of the year

- Alior Bank will continue the target of increasing of volumes in the area of cash and mortgage loans (for individual clients) and operational and investment loans (for business clients) in accordance with the announced operationalization of the "Digital Disruptor" strategy keeping the appropriate net interest margins approximating us to our strategic targets.
- The synergies related to the acquisition of the demerged business of Bank BPH in 2018 will amount to PLN 381 million compared to PLN 195 million in 2017 with the simultaneous absence of any further integration costs which taking into account the reversal of the restructuring provision amounted to PLN 77 million in 2017 (all amounts before tax).
- The scale of demand for banking services, as well as the ability of the Bank's clients to pay their financial liabilities on time depends largely on their financial condition. Apart from the macroeconomic situation of the country, the economic situation of many customer groups also depends on the economic policy being pursued. Both the slowdown in the pace of growth of the Polish economy and the change in the legal regulations governing the functioning of enterprises may have a negative impact on the financial position of selected Bank's clients.



Interim condensed separate  
financial statements  
of Alior Bank Spółka Akcyjna  
for the first quarter of 2018

*This version of our report is a translation of 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 the report takes precedence over this translation.*



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### Interim condensed separate income statement

	01.01.2018 - 31.03.2018	01.01.2017 -31.03.2017
Interest income	911 308	865 359
Income of a similar nature	35 078	n/a
Interest expense	-215 978	-205 855
<b>Net interest income</b>	<b>730 408</b>	<b>659 504</b>
Dividend income	0	0
Fee and commission income	191 972	191 335
Fee and commission expense	-84 467	-76 619
<b>Net fee and commission income</b>	<b>107 505</b>	<b>114 716</b>
The result on financial assets measured at fair value through profit or loss and trading result	90 339	72 975
Net gain (realized) on other financial instruments	n/a	454
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	14 632	n/a
<i>measured at fair value through other comprehensive income</i>	11 185	n/a
<i>measured at amortized cost</i>	3 447	n/a
Other operating income	39 056	28 589
Other operating expenses	-24 947	-15 320
<b>Net other operating income and expenses</b>	<b>14 109</b>	<b>13 269</b>
General administrative expenses	-444 811	-478 761
Net expected credit losses, impairment allowances and write-downs	-250 366	-211 191
Banking tax	-49 890	-49 527
<b>Gross profit</b>	<b>211 926</b>	<b>121 439</b>
Income tax	-61 357	-35 632
<b>Net profit</b>	<b>150 569</b>	<b>85 807</b>
Weighted average number of ordinary shares	129 276 474	129 257 763
Net profit per share	1,16	0,66
Diluted profit per ordinary share	1,15	0,65

### Interim condensed consolidated statement of comprehensive income

	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
<b>Net profit</b>	<b>150 569</b>	<b>85 807</b>
<b>Items that may be reclassified to the income statement after certain conditions are satisfied</b>	<b>65 057</b>	<b>38 873</b>
Foreign currency translation differences	-615	72
<b>Results of the measurement of financial assets (net)</b>	<b>50 731</b>	<b>34 122</b>
Profit/loss on fair valuation of available for sale financial assets	n/a	41 685
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	63 007	n/a
Deferred tax	-12 276	-7 563
<b>Results of the measurement of hedging instruments (net)</b>	<b>14 941</b>	<b>4 679</b>
Gains/losses on hedging instruments	18 446	5 588
Deferred tax	-3 505	-909
<b>Total comprehensive income, net</b>	<b>215 626</b>	<b>124 680</b>

The notes presented on pages 56-57 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of financial position

ASSETS	31.03.2018	31.12.2017
Cash and balances with the Central Bank	1 439 945	965 391
Amounts due from banks	1 125 976	898 977
Financial assets:	13 410 165	13 642 769
measured at fair value through other comprehensive income	8 860 222	n/a
measured at fair value through profit or loss	658 316	n/a
measured at amortized cost	3 891 627	n/a
available-for-sale	n/a	12 072 324
held to maturity	n/a	1 117 894
held for trading	n/a	452 551
Derivative hedging instruments	56 660	87 785
Loans and advances to customers	51 522 369	51 244 093
Assets pledged as collateral	560 693	408 911
Property, plant and equipment	442 942	466 958
Intangible assets	504 576	510 106
Investments in subsidiaries	144 290	102 025
Non-current assets held for sale	325	357
Income tax asset	797 042	530 759
deferred	797 042	530 759
Other assets	428 628	524 047
<b>TOTAL ASSETS</b>	<b>70 433 611</b>	<b>69 382 178</b>

LIABILITIES AND EQUITY	31.03.2018	31.12.2017
Amounts due to banks	869 477	743 911
Amounts due to customers	59 048 687	57 655 618
Financial liabilities	643 457	435 878
<i>held for trading</i>	n/a	435 878
<i>measured at fair value through profit or loss</i>	643 457	n/a
Derivative hedging instruments	10 068	5 419
Provisions	175 530	90 433
Other liabilities	1 371 140	1 628 318
Income tax liabilities	199 208	102 382
<i>Current</i>	199 208	102 382
Subordinated loans	1 925 334	1 914 976
<b>Total liabilities</b>	<b>64 242 901</b>	<b>62 576 935</b>
Share capital	1 292 788	1 292 636
Supplementary capital	4 818 119	4 817 331
Revaluation reserve	90 245	13 944
Other reserves	196 692	184 894
Foreign currency translation differences	-21	594
Accumulated losses	-357 682	-43 051
Profit for the year	150 569	538 895
<b>Equity</b>	<b>6 190 710</b>	<b>6 805 243</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>70 433 611</b>	<b>69 382 178</b>

The notes presented on pages 56-57 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of changes in equity

01.01.2018- 31.03.2018	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2018	1 292 636	4 817 331	184 894	13 944	594	495 844	6 805 243
Impact of IFRS 9 and other changes	0	0	0	10 629	0	-853 526	-842 897
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65 672</b>	<b>-615</b>	<b>150 569</b>	<b>215 626</b>
net profit	0	0	0	0	0	150 569	150 569
<b>other comprehensive income – valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65 672</b>	<b>-615</b>	<b>0</b>	<b>65 057</b>
inc. measured at fair value through other comprehensive income	0	0	0	50 731	0	0	50 731
inc. hedging derivatives	0	0	0	14 941	0	0	14 941
inc. currency translation differences	0	0	0	0	-615	0	-615
<b>Share issue</b>	<b>152</b>	<b>788</b>	<b>11 798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 738</b>
<b>31 March 2018</b>	<b>1 292 788</b>	<b>4 818 119</b>	<b>196 692</b>	<b>90 245</b>	<b>-21</b>	<b>-207 113</b>	<b>6 190 710</b>

\*Details in Note 2.2

01.01.2017- 31.03.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2017	1 292 578	4 184 953	184 894	-71 615	-22	632 075	6 222 863
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38 801</b>	<b>72</b>	<b>85 807</b>	<b>124 680</b>
net profit	0	0	0	0	0	85 807	85 807
<b>other comprehensive income –valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38 801</b>	<b>72</b>	<b>0</b>	<b>38 873</b>
inc. available-for-sale financial assets	0	0	0	34 122	0	0	34 122
inc. hedging derivatives	0	0	0	4 679	0	0	4 679
inc. currency translation differences	0	0	0	0	72	0	72
<b>31 March 2017</b>	<b>1 292 578</b>	<b>4 184 953</b>	<b>184 894</b>	<b>-32 814</b>	<b>50</b>	<b>717 882</b>	<b>6 347 543</b>

1.01.2017- 31.12.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2017	1 292 578	4 184 953	184 894	-71 615	-22	589 024	6 179 812
Transfer of the previous year result	0	632 075	0	0	0	-632 075	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85 559</b>	<b>616</b>	<b>538 895</b>	<b>625 070</b>
net profit	0	0	0	0	0	538 895	538 895
<b>other comprehensive income –valuations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85 559</b>	<b>616</b>	<b>0</b>	<b>86 175</b>
inc. available-for-sale financial assets	0	0	0	85 861	0	0	85 861
inc. hedging derivatives	0	0	0	-302	0	0	-302
inc. currency translation differences	0	0	0	0	616	0	616
<b>Share issue</b>	<b>58</b>	<b>303</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>361</b>
<b>31 December 2017</b>	<b>1 292 636</b>	<b>4 817 331</b>	<b>184 894</b>	<b>13 944</b>	<b>594</b>	<b>495 844</b>	<b>6 805 243</b>

The notes presented on pages 56-57 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of cash flows

	01.01.2018 – 31.03.2018	01.01.2017 – 31.03.2017
<b>Operating activities</b>		
<b>Profit before tax for the year</b>	<b>211 926</b>	<b>121 439</b>
<b>Adjustments:</b>	<b>53 508</b>	<b>44 620</b>
Unrealized foreign exchange gains/losses	9 743	-2 871
Amortization/depreciation of tangible and intangible assets	42 009	43 873
Change in impairment loss of tangible fixed and intangible assets	1 756	3 618
<b>Gross profit after adjustments and before changing balances</b>	<b>265 434</b>	<b>166 059</b>
Change in loans and receivables	-1 282 147	-1 521 601
Change in financial assets measured at fair value through other comprehensive income	789 634	n/a
Change in financial assets measured at fair value through profit or loss	-167 196	n/a
Change in financial assets measured at amortized cost	-388 155	n/a
Change in financial assets available for sale	n/a	2 841 223
Change in investment securities held to maturity	n/a	-12
Change in financial assets held for trading	n/a	33 042
Change in assets pledged as collateral	-151 782	-126 403
Change in hedging asset derivatives	31 125	10 207
Change in non-current assets held for sale	32	224
Change in other assets	95 419	62 430
Change in deposits	1 348 688	-910 579
Change in issued debt	9 212	32 444
Change in financial liabilities held for trading	207 579	-4 172
Change in hedging liabilities derivative	4 649	6 133
Change in other liabilities and other comprehensive income	-96 253	-66 101
Change in provisions	85 097	-18 516
<b>Net cash flow from operating activities before income tax</b>	<b>751 336</b>	<b>504 378</b>
<b>Income tax paid</b>	<b>-153 931</b>	<b>2 597</b>
<b>Net cash flow from operating activities</b>	<b>597 405</b>	<b>506 975</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-90 779</b>	<b>-107 437</b>
Purchase of property, plant and equipment	-35 992	-48 603
Purchase of intangible assets	-12 522	-29 678
Investments in subsidiaries	-42 265	-29 156
<b>Inflows:</b>	<b>34 295</b>	<b>20 619</b>
Disposal of tangible fixed assets	34 295	20 619
<b>Net cash flow from investing activities</b>	<b>-56 484</b>	<b>-86 818</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-18 559</b>	<b>-13 673</b>
Interest expense – subordinated loan	-18 559	-13 673
<b>Inflows:</b>	<b>152</b>	<b>0</b>
Inflows from share issue	152	0
<b>Net cash flow from financing activities</b>	<b>-18 407</b>	<b>-13 673</b>
<b>Total net cash flow</b>	<b>522 514</b>	<b>406 484</b>
<b>incl. exchange gains/(losses)</b>	<b>1 926</b>	<b>-27 925</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>522 514</b>	<b>406 484</b>
Cash and cash equivalents, opening balance	1 611 714	1 707 153
Cash and cash equivalents, closing balance	2 134 228	2 113 637
Additional disclosures on operating cash flows		
Interests received	908 257	844 313
Interests paid	-199 346	-284 454

The notes presented on pages 56-57 constitute an integral part of these interim condensed consolidated financial statements.

## 1 Basis for preparation

### Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise data concerning the Bank and cover the period of three months ended on 31 March 2018 and contain comparative data for the period of three months ended 31 March 2017 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows) and comparative data as at 31 December 2017 (with respect to the separate statement of financial position). The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, amounts are presented in thousands of zlotys.

### Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the first quarter of 2018 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 financial period from 1 January 2018 to 31 March 2018, and interim condensed separate statement of financial position as at 31 March 2018 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 2018.

### Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared 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 31 March 2018.

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

## 2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2017, published on 8 March 2018 and available on the Alior Banku SA website. Changes in accounting principles effective from 1 January 2018 were presented in the interim condensed consolidated financial statements in Note 2.2.

## 3 Off-balance-sheet items

Off-balance sheet items are described in Note 27 to the interim condensed consolidated financial statements.

## 4 Transactions with related parties



Related-party transactions are described in Note 28 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below:

Name of company	31.03.2018	31.12.2017
Alior Services sp. z o.o.	100%	100%
Centrum Obrotu Wierzytelnościami sp. z o.o.	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Money Makers TFI SA	91.48%	60.16%
Absource sp. z o.o.	100%	100%

Subsidiaries	31.03.2018	31.12.2017
<b>Assets</b>		
Loans and advances to customers	1 054 730	1 025 491
Other assets	1 030	4 540
<b>Total assets</b>	<b>1 055 760</b>	<b>1 030 031</b>
<b>Liabilities</b>		
Amounts due to customers	45 616	55 778
Provisions	358	212
Other liabilities	2 143	2 426
<b>Total liabilities</b>	<b>48 117</b>	<b>58 416</b>

Subsidiaries	31.03.2018	31.12.2017
<b>Off-balance sheet liabilities granted to customers</b>	<b>250 935</b>	<b>248 789</b>
Relating to financing	76 387	75 801
Guarantees	174 548	172 988

Subsidiaries	01.01.2018 - 31.03.2018	01.01.2016 - 31.12.2016
Interest income	8 244	2 548
Interest expense	-11	-27
Fee and commission income	1 641	1 340
Other operating income	72	28
Other operating expenses	-6	0
General administrative expenses	-1 538	-345
Net expected credit losses, impairment charges and write-downs	-10 759	0
<b>Total</b>	<b>-2 357</b>	<b>3 544</b>

## 5 Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 36 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.