



Financial report
of the Alior Bank Spółka Akcyjna Group
for the third quarter of 2019

Selected financial data

PLN	01.01.2019 - 30.09.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018 Restated	% (A-B)/B
	A		B	C
Net interest income	2 434 556	3 084 524	2 283 636	6.6%
Net fee and commission income	501 320	709 999*	526 031	-4.7%
Trading result & other	53 212	161 026*	134 867	-60.5%
Net expected credit losses impairment allowances and write-downs	-1 102 039	-1 054 069	-756 013	45.8%
General administrative expenses	-1 277 942	-1 705 003	-1 297 562	-1.5%
Gross profit	439 901	988 291	735 788	-40.2%
Net profit	272 739	713 373	531 110	-48.6%
Net cash flow	-503 331	464 272	1 214 741	-141.4%
Loans and advances to customers	56 684 484	54 245 924	53 260 652	6.4%
Amounts due to customers	64 739 421	62 435 585	60 098 796	7.7%
Equity	6 779 329	6 485 923	6 294 712	7.7%
Total assets	76 983 674	73 419 887	71 167 223	8.2%
Selected ratios				
Profit per ordinary share (PLN)	2.09	5.49	4.09	-48.9%
Capital adequacy ratio	16.24%	15.85%	15.29%	6.2%
Tier 1	13.37%	12.81%	12.17%	9.9%

EUR	01.01.2019 - 30.09.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.09.2018 Restated	% (A-B)/B
	A		B	C
Net interest income	565 046	722 896	536 884	5.2%
Net fee and commission income	116 353	166 397*	123 670	-5.9%
Trading result & other	12 350	37 738*	31 707	-61.0%
Net expected credit losses impairment allowances and write-downs	-255 777	-247 034	-177 739	43.9%
General administrative expenses	-296 603	-399 588	-305 057	-2.8%
Gross profit	102 098	231 618	172 984	-41.0%
Net profit	63 301	167 188	124 864	-49.3%
Net cash flow	-116 820	108 808	285 586	-140.9%
Loans and advances to customers	12 960 601	12 615 331	12 469 132	3.9%
Amounts due to customers	14 802 319	14 519 903	14 070 046	5.2%
Equity	1 550 057	1 508 354	1 473 688	5.2%
Total assets	17 601 901	17 074 392	16 661 334	5.6%
Selected ratios				
Profit per ordinary share (PLN)	0.48	1.29	0.96	-50.0%
Capital adequacy ratio	16.24%	15.85%	15.29%	6.2%
Tier 1	13.37%	12.81%	12.17%	9.9%

* clarification in note 2.3 as a presentation change IV -annual impact on Net fee and commission income / Net trading income +/-273 906 PLN

Selected items of the consolidated financial statements were translated into EUR at the following exchange rates	30.09.2019	31.12.2018	30.09.2018
NBP's average exchange rate as at the end of the period	4.3736	4.3000	4.2714
NBP's average exchange rates as at the last day of each month of the period	4.3086	4.2669	4.2535



Selected financial indicators

	30.09.2019 (A)	30.09.2018 Restated (B)	(A-B) [p.p]	(A-B)/B [%]
ROE	5.50%	11.87%	-6.37	-53.66%
ROA	0.48%	1.02%	-0.54	-52.94%
C/I	42.75%	44.07%	-1.32	-3.00%
CoR	2.43%	1.79%	0.64	35.75%
L/D	87.56%	88.62%	-1.06	-1.20%
NPL	12.55%	11.09%	1.46	13.17%
NPL	55.53%	52.92%	2.61	4.93%
TCR	16.24%	15.29%	0.95	6.21%
TIER 1	13.37%	12.17%	1.20	9.86%



Interim condensed consolidated
financial statements
of the Alior Bank Spółka Akcyjna Group
for the third quarter of 2019

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 consolidated income statement

	Note number	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated*	01.01.2018 - 30.09.2018 Restated*
Interest income		981 223	2 971 898	957 980	2 810 476
Income of a similar nature		47 366	122 437	38 463	125 716
Interest expense		-226 328	-659 779	-213 747	-652 556
Net interest income	4	802 261	2 434 556	782 696	2 283 636
Fee and commission income		304 500	857 820	283 467	812 859
Fee and commission expense		-131 965	-356 500	-104 905	-286 828
Net fee and commission income	5	172 535	501 320	178 562	526 031
Dividend income		84	257	49	143
The result on financial assets measured at fair value through profit or loss and FX result	6	14 863	48 129	28 712	81 730
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7	7 373	29 131	7 658	40 452
measured at fair value through other comprehensive income		7 000	21 700	7 320	39 432
measured at amortized cost		373	7 431	338	1 020
Other operating income		36 407	100 627	19 887	94 560
Other operating expenses		-76 931	-124 932	-35 837	-82 018
Net other operating income and expenses	8	-40 524	-24 305	-15 950	12 542
General administrative expenses	9	-371 987	-1 277 942	-411 309	-1 297 562
Net expected credit losses, impairment allowances and write-downs	10	-324 788	-1 102 039	-273 190	-756 013
Banking tax		-59 005	-169 206	-52 270	-155 171
Gross profit		200 812	439 901	244 958	735 788
Income tax	11	-76 308	-167 162	-68 141	-204 678
Net profit		124 504	272 739	176 817	531 110
Net profit attributable to equity holders of the parent		124 504	272 739	176 817	531 110
Weighted average number of ordinary shares		130 553 991	130 553 991	130 518 716	129 856 463
Net profit per ordinary share(PLN)	12	0.95	2.09	1.35	4.09
Diluted profit per ordinary share(PLN)	12	0.95	2.07	1.34	4.05

Interim condensed consolidated statement of comprehensive income

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated*	01.01.2018 - 30.09.2018 Restated*
Net profit	124 504	272 739	176 817	531 110
Items that may be reclassified to the income statement after certain conditions are satisfied	10 388	20 625	-17 111	21 940
Foreign currency translation differences	-450	-139	224	-600
Results of the measurement of financial assets (net)	2 825	-6 385	-11 402	9 458
profit/loss on valuation of financial assets measured at fair value through other comprehensive income	3 488	-7 883	-14 076	12 054
deferred tax	-663	1 498	2 674	-2 596
Results on the measurement of hedging instruments (net)	8 013	27 149	-5 933	13 082
gains/losses on hedging instruments	9 892	33 517	-7 325	16 150
deferred tax	-1 879	-6 368	1 392	-3 068
Total comprehensive income, net	134 892	293 364	159 706	553 050
attributable to shareholders of the parent company	134 892	293 364	159 706	553 050
attributable to non-controlling interests	0	0	0	0

*clarification in note 2.3

The notes presented on pages 10-49 constitute an integral part of these interim condensed separate financial statements

Interim condensed consolidated statement of financial position

ASSETS	Note number	30.09.2019	31.12.2018
Cash and balances with the Central Bank	13	946 753	1 639 033
Amounts due from banks	14	2 944 993	612 444
Financial assets	15	12 707 488	13 727 570
measured at fair value through other comprehensive income		6 950 111	7 280 080
measured at fair value through profit or loss		681 790	515 138
measured at amortized cost		5 075 587	5 932 352
Derivative hedging instruments		135 182	112 400
Loans and advances to customers	16	56 684 484	54 245 924
Assets pledged as collateral	18	357 652	333 286
Property, plant and equipment		787 556	460 659
Intangible assets		577 604	572 320
Investments in associates		5 332	4 000
Non-current assets held for sale		103	146
Income tax asset	11	1 113 812	1 035 624
current		14 978	0
deferred		1 098 834	1 035 624
Other assets	17	722 715	676 481
TOTAL ASSETS		76 983 674	73 419 887

LIABILITIES AND EQUITY	Numer noty	30.09.2019	31.12.2018
Amounts due to banks	19	984 187	593 327
Amounts due to customers	20	64 739 421	62 435 585
Financial liabilities measured at fair value through profit or loss	23	520 149	416 407
Derivative hedging instruments		46 356	9 381
Provisions	21	119 716	126 199
Other liabilities	22	1 824 400	1 167 111
Income tax liabilities		41 679	267 861
current		41 220	267 429
deferred		459	432
Subordinated liabilities	24	1 928 437	1 918 093
Total liabilities		70 204 345	66 933 964
Share capital		1 305 540	1 305 540
Supplementary capital		5 393 358	5 386 828
Revaluation reserve		72 928	52 164
Other reserves		171 629	171 629
Foreign currency translation differences		-341	-202
Accumulated losses		-436 524	-1 143 409
Profit for the period		272 739	713 373
Equity		6 779 329	6 485 923
TOTAL LIABILITIES AND EQUITY		76 983 674	73 419 887

The notes presented on pages 10-49 constitute an integral part of these interim condensed separate financial statements.

Interim condensed statement of changes in consolidated equity

01.01.2019 - 30.09.2019	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2019	1 305 540	5 386 828	171 629	52 164	-202	-430 036	0	6 485 923
Transfer of last year's profit	0	6 530	0	0	0	-6 530	0	0
Comprehensive income	0	0	0	20 764	-139	272 739	0	293 364
net profit	0	0	0	0	0	272 739	0	272 739
other comprehensive income:	0	0	0	20 764	-139	0	0	20 625
financial assets measured at fair value through other comprehensive income	0	0	0	-6 385	0	0	0	-6 385
hedging instruments	0	0	0	27 149	0	0	0	27 149
currency translation differences	0	0	0	0	-139	0	0	-139
Other changes in equity	0	0	0	0	0	42	0	42
30 September 2019	1 305 540	5 393 358	171 629	72 928	-341	-163 785	0	6 779 329

01.01.2018 - 31.12.2018	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	378 615	1 322	6 690 983
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 029 837	0	-1 019 208
Transfer of last year's profit	0	497 136	0	0	0	-497 136	0	0
Comprehensive income	0	0	0	27 591	-796	713 373	0	740 168
net profit	0	0	0	0	0	713 373	0	713 373
other comprehensive income:	0	0	0	27 591	-796	0	0	26 795
financial assets measured at fair value through other comprehensive income	0	0	0	-6 658	0	0	0	-6 658
hedging instruments	0	0	0	34 249	0	0	0	34 249
currency translation differences	0	0	0	0	-796	0	0	-796
Share issue	12 904	69 644	0	0	0	0	0	82 548
Other changes in equity	0	0	-12 195	0	0	4 949	-1 322	-8 568
31 December 2018	1 305 540	5 386 828	171 629	52 164	-202	-430 036	0	6 485 923

01.01.2018 - 30.09.2018 Restated*	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	378 615	1 322	6 690 983
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 029 837	0	-1 019 208
Transfer of last year's profit	0	497 136	0	0	0	-497 136	0	0
Comprehensive income	0	0	0	22 540	-600	531 110	0	553 050
net profit	0	0	0	0	0	531 110	0	531 110
other comprehensive income:	0	0	0	22 540	-600	0	0	21 940
financial assets measured at fair value through other comprehensive income	0	0	0	9 458	0	0	0	9 458
hedging instruments	0	0	0	13 082	0	0	0	13 082
currency translation differences	0	0	0	0	-600	0	0	-600
Share issue	12 551	67 820	2 190	0	0	0	0	82 561
Other changes in equity	0	0	-11 585	0	0	233	-1 322	-12 674
30 September 2018	1 305 187	5 385 004	174 429	47 113	-6	-617 015	0	6 294 712

*clarification in note 2.3

The notes presented on pages 10-49 constitute an integral part of these interim condensed separate financial statements.

Interim condensed consolidated statement of cash flows

	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018 Restated*
Operating activities		
Profit before tax for the year	439 901	735 788
Adjustments:	176 940	126 304
Unrealized foreign exchange gains/losses	1 533	1 544
Dividends	257	143
Amortization/depreciation of property, plant and equipment and intangible assets	181 986	130 845
Change in property, plant and equipment and intangible assets impairment write-down	1 682	3 167
Share-based payments	0	-9 395
Short-term lease contracts	-8 518	n/a
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	616 841	862 092
Change in loans and receivables	-4 582 160	-2 770 548
Change in financial assets measured at fair value through other comprehensive income	329 969	2 906 158
Change in financial assets measured at fair value through profit or loss	-166 652	-164 290
Change in financial assets measured at amortised cost	856 765	-1 219 104
Change in assets pledged as collateral	-24 366	67 400
Change in derivative hedging assets	-22 782	35 845
Change in non-current assets held for sale	43	176
Change in other assets	-46 234	226 144
Change in deposits	2 669 056	2 271 435
Change in own issue	169 913	-156 809
Change in financial liabilities	103 742	78 953
Change in hedging liabilities derivative	36 975	-1 355
Change in other liabilities and other comprehensive income	186 732	-577 622
Change in provisions	-6 483	110 779
Cash from operating activities before income tax	121 359	1 669 254
Income tax paid	-374 928	-287 312
Net cash flow from operating activities	-253 569	1 381 942
Investing activities		
Outflows:	-137 755	-109 996
Purchase of property, plant and equipment	-86 093	-53 358
Purchase of intangible assets	-51 662	-56 638
Inflows:	9 906	428
Disposal of property, plant and equipment	9 906	428
Net cash flow from investing activities	-127 849	-109 568
Financing activities		
Outflows:	-121 913	-70 184
Interest expense – subordinated loan	-61 149	-70 184
Payments of lease liabilities - capital	-43 447	n/a
Payments of lease liabilities - interest	-17 317	n/a
Inflows:	0	12 551
Inflows from share issue	0	12 551
Net cash flow from financing activities	-121 913	-57 633
Total net cash flow	-503 331	1 214 741
incl. exchange gains/(losses)	27 054	19 841
Balance sheet change in cash and cash equivalents	-503 331	1 214 741
Cash and cash equivalents, opening balance	2 078 638	1 614 366
Cash and cash equivalents, closing balance	1 575 307	2 829 107
Additional disclosures on operating cash flows		
Interests received	3 483 557	3 132 112
Interests paid	-610 681	-686 717

*clarification in note 2.3

The notes presented on pages 10-49 constitute an integral part of these interim condensed separate 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 the Polish Financial Supervision Authority ("PFSA") issued its licence to establish the bank under the name of Alior Bank SA, and on 1 September 2008 it issued a licence to the Bank to commence operations. On 5 September 2008, PFSA granted a licence to the Bank to perform stock broking activities. The duration of business of the Bank and its entities is unrestricted.

Alior Bank is a universal deposit and credit bank, providing services to natural and legal persons, and other entities that are domestic and foreign persons. The Bank's core business covers maintenance of bank accounts, granting loans, issue of bank securities, and purchase and sale of foreign currencies. The Bank is also involved in stock broking activity, financial advisory, and intermediation services, and provides other financial services. Information on the companies in the Group is detailed in Note 1.5 of this chapter. In accordance with the provisions of its Articles of Association, Alior Bank has been operating in the territory of the Republic of Poland and the European Economic Area. The Bank provides its services primarily to customers from Poland. The number of foreign customers in the overall number of the Bank's customers is negligible.

1.3 Shareholders of Alior Bank Spółka Akcyjna

There was no change in the ownership structure of significant shareholdings in Bank starting from the preparation date of the annual financial report, ie from 27 February 2019.

As at 30 September 2019, the shareholders holding 5% or more of the overall number of votes at the General Meeting were as follows:

Shareholders	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
30.09.2019					
PZU SA	41 693 258	416 932 580	31,94%	41 693 258	31.94%
Aviva OFE Aviva BZ WBK	9 467 000	94 670 000	7,25%	9 467 000	7.25%
Nationale-Nederlanden PTE SA	9 300 000	93 000 000	7,12%	9 300 000	7.12%
Others	70 093 733	700 937 330	53,69%	70 093 733	53.59%
Total	130 553 991	1 305 539 910	100.00%	130 553 991	100.00%

*The number of shares according to registered in KRS on 30 September 2019

As at the preparation date of this report, i.e. 4 November 2019, the shareholders holding 5% or more of the overall number of votes at the General Meeting were as follows:

Shareholders	Number od shares	Nominal value od shares (PLN)	Percentage in the share capital	Number od votes	Number of votes in the total number of votes
04.11.2019					
PZU SA	41 693 258	416 932 580	31,94%	41 693 258	31,94%
Aviva OFE Aviva BZ WBK	9 467 000	94 670 000	7,25%	9 467 000	7,25%
Nationale-Nederlanden PTE SA	9 300 000	93 000 000	7,12%	9 300 000	7,12%
Others	70 093 733	700 937 330	53,69%	70 093 733	53,59%
Total	130 553 991	1 305 539 910	100.00%	130 553 991	100.00%

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

As at the day of preparing this financial statements in comparison to the annual reporting period ended on 31 December 2018, the composition of the Bank's Management Board changed.

On 1 July 2019, Mr Maciej Surdyk informed about her resignation from the position of the Member of the Bank's Management Board effective on the same day.

As at 30 September 2019 and as at the date of this financial statements, the composition of the Bank's Management Board was as follows:

First and last name	Function
Krzysztof Bachta	President of the Management Board
Tomasz Biłous	Vice President of the Management Board
Marcin Jaszczuk	Vice President of the Management Board
Seweryn Kowalczyk	Vice President of the Management Board
Mateusz Poznański	Vice President of the Management Board
Agata Strzelecka	Vice President of the Management Board
Marek Szcześniak	Vice President of the Management Board
Dariusz Szwed	Vice President of the Management Board

Members of the Bank's Management Board who held shares in the Bank as at 30 September 2019 and as at the date of preparation date of financial statements:

Number of shares	04.11.2019	30.09.2019	31.12.2018
Krzysztof Bachta	4 168	4 168	2 168
Total	4 168	4 168	2 168

As at 30 September 2019, a person closely related to the Vice President of the Bank's Management Board owned 1 000 shares of Alior Bank.

In comparison to the annual reporting period ended on 31 December 2018, the composition of the Bank's Supervisory Board changed.

On 31 January 2019 professor Małgorzata Iwanicz-Drozdowska informed about her resignation from the position of the Member of the Bank's Supervisory Board effective on the same day.

As at 30 September 2019 and the date of this report , the composition of the Bank's Supervisory Board was as follows:

First and last name	Function
Tomasz Kulik	Chairman of the Supervisory Board
Marcin Eckert	Deputy Chairperson of the Supervisory Board

First and last name	Function
Dariusz Gątarek	Member of the Supervisory Board
Mikołaj Handschke	Member of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board
Wojciech Myślecki	Member of the Supervisory Board
Maciej Rapkiewicz	Member of the Supervisory Board

In accordance with the Bank's best knowledge there was no change in the Bank's shareholding status hold by the Members of Supervisory Board starting from the date of preparation of the annual financial statements, ie from 27 February 2019. As at 30 September 2019 and as at the date of these financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

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 30 September 2019 and the date of this report was as follows:

Company's name – subsidiaries	04.11.2019	30.09.2019	31.12.2018
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	100%	100%	100%
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp.z o.o.*	100%	100%	-
- PayPo sp. z o.o.**	20%	20%	-
RBL_VC sp. z o.o.***	100%	-	-

*On 4 February 2019, Alior Bank SA acquired 100 shares in Corsham sp. z o.o. with a nominal value of PLN 50 each, all consisting 100% of the share capital. The purchase price of the company was of PLN 11 696 30. On 28 March 2019, Corsham sp. z o.o. acquired shares in the company PayPo sp. o.o.

*** On 23 October 2019, Alior Bank SA acquired 100 shares of RBL_VC sp. z o.o. with a nominal value of PLN 50 each, with a total nominal value of PLN 5 000 and covered them with a cash contribution.

Company name – associate	30.09.2019	31.12.2018
PayPo sp. z o.o./ GTR Finance sp. z o.o.	-	20%

**On 4 January 2019 year the Management Board of GTR Finance sp. z o.o. informed about registration in the National Court Register of amendments to the Company Statute made pursuant to the resolution of the Extraordinary General Meeting of the Shareholders of 7 November 2018. Changes included the Company's name from GRT Finance spółka z ograniczoną odpowiedzialnością to PayPo spółka z ograniczoną odpowiedzialnością.

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 4 November 2019.

1.7 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of 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 half of 2019 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim 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 2018.

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 2019 to 30 September 2019, and interim condensed consolidated statement of financial position as at 30 September 2019 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2018, except for the changes in the standards that entered into force on 1 January 2019. This is the first set of the Group's financial statements where IFRS 16 have been applied. Changes to 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 30 September 2019.

2.2 Accounting principles – changes in standards

Significant accounting policies

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2018 published on Alior Bank's website on 28 February 2019. In addition from 30 June 2019 with respect to interim financial statements, the Group applies the principle of recognizing the tax income expense based on the best estimate of the weighted average annual income tax rate expected by the Group in the full financial year.

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 2018.

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 2018.

• IFRS 16 Leasing

It was published by the International Accounting Standards Board on 13 January 2016, approved by the European Union on 31 October 2017 and is effective for annual periods beginning on 1 January 2019 or later. The new standard establishes principles for the recognition, valuation, presentation and disclosures about leasing. All lease transactions result in the lessee obtaining the right to use the asset and liability for the obligation to pay. Thus, IFRS 16 abolishes the classification of operating leases and finance leases in accordance with IAS 17 and introduces one model for the accounting treatment of leasing by the lessee.

Alior Bank finalized works related to the opening balance as of 1 January 2019. The following assumptions have been adopted as at the date of the first application of IFRS 16, ie as at 1 January 2019:

- The Bank applied the simplified approach in accordance with par. C5 (b) IFRS 16, i.e. no comparative data transformation, no adjustment to the opening balance of retained earnings on the date of the first application (the balance of assets recognized in the balance sheet is equal to the liability item);
- in the case of leases previously classified as operating leases in accordance with IAS 17, assets and lease liabilities are measured at the current value of other lease payments discounted at the marginal borrower rate;
- The Bank, in accordance with paragraph 5 of IFRS 16, used the exemption for short-term leases and for leases for which the underlying asset is of low value (value of the new asset regardless of the age of the leased asset);
- according to par. C10 (c) IFRS 16 for operating leases with a lease term expiring within 12 months from the first application of IFRS 16. The Bank applies rules for short-term leasing, the lease may be treated as short-term if it complies with the definition of short-term leasing under IFRS16;
- in accordance with par. 4 of IFRS 16, Alior Bank has decided not to apply IFRS16 for intangible assets.

As at 1 January 2019, as a result of the introduction of IFRS 16, the Group's balance sheet increased by the value of assets and liabilities recognized as the lease agreements. In accordance with the principles described above, as at the date of the first recognition, the value of assets was equal to the discounted financial liabilities, as presented in the table below:

	Impact of IFRS 16 as at 01.01.2019
Assets due to lease agreements	385 364
premises	337 562
perpetual usufruct fees / annual fees	18 542
parking	26 167
facades	1 016
transport means	2 077
Liabilities due to lease agreements	385 364

The table below contains a reconciliation of difference between operating lease commitments disclosed applying IAS 17 at the date 31 December 2018 and lease liabilities as at 1 January 2019 i.e. at the date of initial application of IFRS 16.

	31.12.2018	opening balance adjustments	01.01.2019
Future rental commitments under MSR 17	454 140	0	0
opening balance adjustments in connection with the implementation of IFRS 16, including:	0	-68 776	0

(-) discounting effect using lessee's incremental borrowing rate as at 1 Jan 2019	0	-19 144	0
(-) recognition exemption for short-term leases	0	-11 357	0
(-)non-lease components of a contract	0	-11 032	0
(+)/(-)extension and termination options reasonably certain to be exercised	0	0	0
(-) others	0	-27 243	0
Lease liabilities under IFRS 16	0	0	385 364

- **Amendments to IFRS 9 Prepayment features with negative compensations**

They were published by the International Accounting Standards Board on 12 October 2017, approved by the European Union on 22 March 2018 and are effective for annual periods beginning on 1 January 2019 or after that date.

Amendments to IFRS 9 introduce provisions with respect to contracts with a prepayment option, in which the lender may be forced to accept a prepayment amount, which is significantly lower than the unpaid amounts of capital and interest. Such amount of prepayment could be a payment to the borrower from the lender and not to the borrower's compensation to the lender. Such a financial asset will be eligible for measurement at amortized cost or at fair value through other comprehensive income (depending on the business model of the company), although negative compensation must constitute a justified compensation for early repayment of the contract.

The application of the amendment did not have impact on the financial statements at the moment of initial application.

- **IFRIC 23 Interpretation, Inclusion of uncertainty over tax treatments**

It was published by the International Accounting Standards Board on 7 June 2017 and is effective for annual periods beginning on 1 January 2019 or after that date. IFRIC 23 clarifies in particular if there is uncertainty in recognizing income tax, if and when an entity should analyze uncertain tax positions separately, what are the entity's assumptions regarding the possibility of control by tax authorities, the manner in which the entity determines taxable income, tax loss, the basis tax, unused tax losses, tax rates, and how the entity recognizes changes in facts and circumstances.

The application of the interpretation did not have impact on the financial statements at the moment of initial application.

Standards and interpretations that have not been approved by the European Union yet:

- **Other changes**

Amendments to IAS 28 concerning the valuation of long-term investments, the annual program of amendments 2015-2017 (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) and amendments to IAS 19, Employee benefits, the Bank believes that the application of the amended standards will not have a significant impact on the financial statements in the period of their initial application.

2.3 Changes in presentation included in this report as at 30 September 2019 and restatement of comparative data and explanation of differences in relation to previously published financial statements

- Result on significant modification (change I)

Presentation of the result on significant modification were changed in order to better reflect the economic character of those transactions.

- Recoveries from loans and advances (change II)

The presentation of recoveries from loans and advances to customers transferred to off-balance sheet has been changed too. The recoveries will be presented in line Net expected credit losses, impairment allowances and write-downs, due to the fact that the transfers to off-balance are made regularly and they are a part of the Bank's operation for the management of non-performing receivables.

- Expected credit losses on assets measured at amortized cost due (change III)

Alior Bank also made changes in calculation methodology of expected credit losses on assets measured at amortized cost due to the development of the methodology of considering future macroeconomic and economic factors (so-called forward-looking-information, FLI). These changes were made in IV quarter 2018 and are related to the implementation of IFRS 9.

The changes concern:

- expansion in the portfolio definition methodology with a significant deterioration of the credit quality from the initial recognition (ie Transfer Logic for Stage 2) of component depended on losses expected from macroeconomic changes expected in the future; this component, in a situation of expected economic slowdown in the future, results in maintaining an increased level of Stage 2 participation ensuring its anticyclical character;
- taking account in LGD models (expected level of assets in default losses): macroeconomic scenarios affecting the collateral recovery component (regarding real estate prices and recovery structures), the cure rate component of retail customers and the regulatory minimum loss level for assets in default.
- Realized margin on foreign exchange transactions (change IV)

The Group changed the presentation regarding the realized margin on foreign exchange transactions in earlier periods was presented in the Result on instruments measured at fair value through profit and loss and trading result currently in the Net fee and commission income.

- Income tax (change V)

The Group changed the rules of recognizing the charges due to income tax. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Income statement	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
Net interest income	2 281 221	2 415	0	0	0	0	2 283 636
Net fee and commission income	320 799	1 861	0	0	203 371	0	526 031
The result on financial assets measured at fair value through profit or loss and FX result (trading)	285 101	0	0	0	-203 371	0	81 730
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	44 728	-4 276	0	0	0	0	40 452
Net other operating income and expenses	17 877	0	-5 335	0	0	0	12 542
Net expected credit losses, impairment allowances and write-downs	-754 121	0	5 335	-7 227	0	0	-756 013
Gross profit	743 015	0	0	-7 227	0	0	735 788
Income tax	-210 122	0	0	1 373	0	4 071	-204 678
Net profit	532 893	0	0	-5 854	0	4 071	531 110

Statement of cash flows	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
Profit before tax	743 015	0	0	-7 227	0	0	735 788
Change in loans and receivables	-3 014 778	0	0	244 230	0	0	-2 770 548

Statement of cash flows	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
Change in other liabilities and other comprehensive income	-336 091	0	0	-241 531	0	0	-577 622
Change in provisions	106 251	0	0	4 528	0	0	110 779

Statement of changes in equity	30.09.2018	change I	change II	change III	change IV	change V	30.09.2018 Restated
IFRS 9 impact and other changes	-821 526	0	0	-197 682	0	0	-1 019 208
Profit for the period	532 893	0	0	-5 854	0	4 071	531 110
Equity at the end of the period	6 494 177	0	0	-203 536	0	4 071	6 294 712

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 split by segment for the nine months ended 30 September 2019

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	1 486 156	896 384	52 016	2 434 556	0	2 434 556
external income	1 831 282	989 010	151 606	2 971 898	0	2 971 898
income of a similar nature	0	0	122 437	122 437	0	122 437
external expense	-345 126	-92 626	-222 027	-659 779	0	-659 779
Internal interest income	88 879	-205 411	116 532	0	0	0
internal income	774 845	280 179	1 171 556	2 226 580	0	2 226 580
internal expense	-685 966	-485 590	-1 055 024	-2 226 580	0	-2 226 580
Net interest income	1 575 035	690 973	168 548	2 434 556	0	2 434 556
Fee and commission income	315 942	532 253	9 625	857 820	0	857 820
Fee and commission expense	-137 448	-213 814	-5 238	-356 500	0	-356 500
Net fee and commission income	178 494	318 439	4 387	501 320	0	501 320
Dividend income	0	0	257	257	0	257
The result on financial assets measured at fair value through profit or loss and FX result	4 355	36 691	7 083	48 129	0	48 129
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	0	0	29 131	29 131	0	29 131
measured at fair value through other comprehensive income	0	0	21 700	21 700	0	21 700
measured at amortized cost	0	0	7 431	7 431	0	7 431
Other operating income	86 582	14 045	0	100 627	0	100 627
Other operating expenses	-99 235	-25 697	0	-124 932	0	-124 932
Net other operating income	-12 653	-11 652	0	-24 305	0	-24 305
Total result before expected credit losses	1 745 231	1 034 451	209 406	2 989 088	0	2 989 088
Net expected credit losses	-371 687	-728 596	0	-1 100 283	-1 756	-1 102 039
Total result after expected credit losses	1 373 544	305 855	209 406	1 888 805	-1 756	1 887 049
General administrative expenses	-984 902	-462 246	0	-1 447 148	0	-1 447 148
Gross profit	388 642	-156 391	209 406	441 657	-1 756	439 901
Income tax	0	0	0	0	-167 162	-167 162
Net profit	388 642	-156 391	209 406	441 657	-168 918	272 739
Depreciation						-181 986
Assets	44 074 200	31 795 662	0	75 869 862	1 113 812	76 983 674
Liabilities	50 332 648	19 830 018	0	70 162 666	41 679	70 204 345

Results and volumes split by segment for the nine months ended 30 September 2018

Restated	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	1 427 766	749 626	106 244	2 283 636	0	2 283 636
external income	1 710 199	878 541	221 736	2 810 476	0	2 810 476
income of a similar nature	0	0	125 716	125 716	0	125 716
external expense	-282 433	-128 915	-241 208	-652 556	0	-652 556
Internal interest income	113 708	-68 522	-45 186	0	0	0
internal income	813 312	310 989	1 435 146	2 559 447	0	2 559 447
internal expense	-699 604	-379 511	-1 480 332	-2 559 447	0	-2 559 447
Net interest income	1 541 474	681 104	61 058	2 283 636	0	2 283 636
Fee and commission income	343 772	458 337	10 750	812 859	0	812 859
Fee and commission expense	-130 450	-150 133	-6 245	-286 828	0	-286 828
Net fee and commission income	213 322	308 204	4 505	526 031	0	526 031
Dividend income	0	0	143	143		143

Restated	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
The result on financial assets measured at fair value through profit or loss and FX result	3 652	66 371	11 707	81 730	0	81 730
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	0	0	40 452	40 452	0	40 452
measured at fair value through other comprehensive income	0	0	39 432	39 432	0	39 432
measured at amortized cost	0	0	1 020	1 020	0	1 020
Other operating income	75 027	19 533	0	94 560	0	94 560
Other operating expenses	-64 714	-17 304	0	-82 018	0	-82 018
Net other operating income	10 313	2 229	0	12 542	0	12 542
Total result before expected credit losses	1 768 761	1 057 908	117 865	2 944 534	0	2 944 534
Net expected credit losses	-354 646	-398 101	0	-752 747	-3 266	-756 013
Total result after expected credit losses	1 414 115	659 807	117 865	2 191 787	-3 266	2 188 521
General administrative expenses	-1 069 568	-379 400	-3 765	-1 452 733	0	-1 452 733
Gross profit	344 547	280 407	114 100	739 054	-3 266	735 788
Income tax	0	0	0	0	-204 678	-204 678
Net profit	344 547	280 407	114 100	739 054	-207 944	531 110
Depreciation						-130 845
Assets	41 226 087	28 938 063	43 910	70 208 060	959 163	71 167 223
Liabilities	44 323 397	20 355 710	11 898	64 691 005	181 506	64 872 511

Notes to the interim condensed consolidated income statement

4. Net interest income

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Interest income	981 223	2 971 898	957 980	2 810 476
term deposits	90	384	163	454
loans	906 041	2 662 389	856 293	2 517 889
reimbursement of credit costs (TSUE's provision)*	-45 199	-45 199	0	0
financial assets measured at amortized cost	28 995	91 500	25 016	71 601
financial assets measured at fair value through other comprehensive income	36 326	105 450	39 835	125 969
receivables acquired	4 288	21 217	6 288	19 421
repo transactions in securities	3 230	4 772	1 301	4 049
leasing	47 222	130 334	28 665	69 828
other	230	1 051	419	1 265
Income of a similar nature	47 366	122 437	38 463	125 716
current accounts	2 936	8 608	2 644	7 925
overnight deposits	266	749	572	1 686
derivatives instruments	44 164	113 080	35 247	116 105
Interest expense	-226 328	-659 779	-213 747	-652 556
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-132 828	-389 172	-127 879	-407 074
term deposits	-91 360	-267 219	-88 316	-278 495
own issue	-33 012	-97 208	-32 792	-106 174
repo transactions in securities	-2 904	-9 522	-3 245	-11 774
cash deposits	-280	-1 669	-732	-2 292
leasing	-1 124	-3 296	0	0

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
other	-4 148	-10 258	-2 794	-8 339
Other interest expense	-93 500	-270 607	-85 868	-245 482
current deposits	-62 693	-193 252	-58 092	-149 681
derivatives	-30 807	-77 355	-27 776	-95 801
Net interest income	802 261	2 434 556	782 696	2 283 636

* description in note 36

5. Net fee and commission income

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Fee and commission income	304 500	857 820	283 467	812 859
payment and credit cards service	86 470	230 754	65 619	184 740
transaction margin on currency exchange transactions	81 832	226 129	71 232	203 371
maintaining bank accounts	24 598	77 343	30 320	88 477
brokerage commissions	4 695	17 951	17 481	56 814
revenue from bancassurance activity	25 878	72 490	22 817	59 005
loans and advances	28 331	81 198	29 308	85 978
transfers	13 170	39 712	14 692	45 279
cash operations	9 983	29 248	10 717	31 787
guarantees, letters of credit, collection, commitments	2 834	9 186	3 797	10 972
receivables acquired	1 760	7 336	2 721	8 525
for custody services	2 101	6 739	3 460	9 193
repayment of seizure	1 610	4 705	1 408	4 154
lease's fee	12 015	31 543	5 078	12 769
other commissions	9 223	23 486	4 817	11 795
Fee and commission expenses	-131 965	-356 500	-104 905	-286 828
costs of card and ATM transactions, including costs of cards issued	-83 316	-211 288	-59 775	-148 002
commissions paid to agents	-16 758	-44 748	-13 817	-34 723
insurance of bank products	-3 726	-10 656	-3 944	-12 475
costs of awards for customers	-4 053	-12 149	-3 981	-11 211
commissions for access to ATMs	-6 649	-18 011	-7 158	-19 553
commissions paid under contracts for performing specific operations	-5 900	-18 838	-6 573	-20 205
brokerage commissions	-741	-2 313	-878	-2 860
for custody services	-506	-1 461	-847	-1 905
transfers and remittances	162	-9 186	-1 255	-9 890
other commissions	-10 478	-27 850	-6 677	-26 004
Net fee and commission income	172 535	501 320	178 562	526 031

01.01.2019 – 30.09.2019	Retail customers	Business customers	Treasury	Total
Fee and commission income	315 942	532 253	9 625	857 820
payment and credit cards service	74 011	156 743	0	230 754
transaction margin on currency exchange transactions	108 491	110 888	6 750	226 129
maintaining bank accounts	34 985	42 358	0	77 343
brokerage commissions	17 951	0	0	17 951
revenue from bancassurance activity	39 485	33 005	0	72 490
loans and advances	10 621	70 577	0	81 198
Transfers	9 755	29 957	0	39 712
cash operations	14 771	14 477	0	29 248

01.01.2019 – 30.09.2019	Retail customers	Business customers	Treasury	Total
guarantees, letters of credit, collection, commitments	0	9 186	0	9 186
receivables acquired	2	7 334	0	7 336
custody services	0	6 739	0	6 739
repayment of seizure	0	4 705	0	4 705
lease's fee	0	31 543	0	31 543
other commissions	5 870	14 741	2 875	23 486

01.01.2018 – 30.09.2018 Restated	Retail customers	Business customers	Treasury	Total
Fee and commission income	343 772	458 337	10 750	812 859
payment and credit cards service	76 389	108 351	0	184 740
transaction margin on currency exchange transactions	93 903	99 770	9 698	203 371
maintaining bank accounts	36 630	51 847	0	88 477
brokerage commissions	56 814	0	0	56 814
revenue from bancassurance activity	39 544	19 461	0	59 005
loans and advances	10 237	75 741	0	85 978
Transfers	10 856	34 423	0	45 279
cash operations	18 247	13 540	0	31 787
guarantees, letters of credit, collection, commitments	0	10 972	0	10 972
receivables acquired	0	8 525	0	8 525
custody services	0	9 193	0	9 193
repayment of seizure	0	4 154	0	4 154
lease's fee	0	12 769	0	12 769
other commissions	1 152	9 591	1 052	11 795

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

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
FX result and net income on currency derivatives, including :	15 964	48 263	27 728	62 539
fx result	-166 687	-169 523	23 604	-161 879
currency derivatives	182 651	217 786	4 124	224 418
Interest rate transactions	-1 363	-14 107	347	10 804
Ineffective part of hedge accounting	-2 606	-2 179	-431	-2 219
The result on other instruments (includes the result on trading in debt securities classified as assets measured at fair value through profit and loss with interest)	2 868	16 152	1 068	10 606
The result on financial assets measured at fair value through profit or loss and FX result	14 863	48 129	28 712	81 730

7. The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Financial assets measured at fair value through other comprehensive income	6 998	21 700	7 320	39 432
Financial assets measured at amortized cost	375	7 431	338	1 020
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7 373	29 131	7 658	40 452

8. Result on other operating income and expenses

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Other operating income from:	36 407	100 627	19 887	94 560
income from contracts with business partners	9 614	30 207	10 851	31 815
reimbursement of costs of claim enforcement	6 394	19 754	7 354	15 302
received compensations, recoveries, penalties and fines	779	10 927	1 152	5 397
management of third party assets	4 479	14 617	4 979	14 471
from license fees from Partners	1 212	3 577	1 172	3 518
other	13 929	21 545	-5 621	24 057
Other operating expenses due to:	-76 931	-124 932	-35 837	-82 018
reimbursement of credit cost (TSUE provision)*	-57 175	-57 175	0	0
fees and costs of claim enforcement	-19 799	-45 895	-12 871	-38 365
paid compensations, fines and penalties	-3 279	-11 113	-21 763	-28 449
management of third party assets	-453	-1 622	-418	-1 416
recognition of complaints	-476	-2 399	2 687	-1 567
other	4 251	-6 728	-3 472	-12 221
Net other operating income and expense	-40 524	-24 305	-15 950	12 542

* description in note 36

9. General administrative expenses

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Payroll costs	-193 281	-632 331*	-216 744	-690 641
remuneration due to employment contracts	-167 982	-522 730	-178 324	-559 972
remuneration surcharges	-31 894	-104 803	-32 527	-110 173
revaluation of management option plan – part settled in cash	1 055	260	-2 998	-10 971
costs of bonus for senior executives settled in phantom shares	9 587	8 121	0	0
other	-4 047	-13 179	-2 895	-9 525
General and administrative costs	-110 285	-446 299	-141 007	-463 783
lease and building maintenance expenses	-12 448	-44 941	-34 281	-109 249
costs of Banking Guarantee Fund	-11 533	-144 859	-17 093	-88 809
IT costs	-30 743	-79 773	-24 749	-72 441
marketing costs	-18 404	-57 884	-15 105	-56 351
cost of advisory services	-5 343	-21 340	-4 354	-19 669
external services	-7 151	-23 432	-12 596	-29 562
training costs	-3 062	-9 116	-1 520	-13 837
costs of telecommunications services	-7 799	-20 115	-6 238	-18 181
costs of lease of property, plant and equipment and intangible assets	-1 953	-5 340	-1 794	-5 603
other	-11 849	-39 499	-23 277	-50 081
Amortization and depreciation	-61 263	-181 986	-44 800	-130 845
property, plant and equipment	-21 694	-66 489	-24 610	-72 668
intangible assets	-15 241	-45 759	-20 190	-58 177
leasing	-24 328	-69 738	0	0
Taxes and fees	-7 158	-17 326	-8 758	-12 293
Total general administrative expenses	-371 987	-1 277 942	-411 309	-1 297 562

*The Bank released the part of provision for deferred remuneration components. This adjustment amounted of PLN 29.4 m was recognized as a reduction in payroll costs.

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

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Stage 3	-356 098	-1 173 704	-301 583	-847 598
Impairment losses on impaired loans and advances to customers	-356 098	-1 173 704	-301 583	-847 598
retail customers	-170 592	-444 463	-141 853	-411 477
business customers	-185 506	-729 241	-159 730	-436 121
Investment securities	346	4 263	25	3 519
Expected credit loss (ECL)	29 450	59 437	39 266	90 514
Stage 2	23 011	48 384	32 975	57 317
retail customers	18 343	42 702	38 129	44 097
business customers	4 668	5 682	-5 154	13 220
Stage 1	6 439	11 053	6 291	33 197
retail customers	2 920	16 865	-7 947	740
business customers	3 519	-5 812	14 238	32 457
POCI	-19 712	-47 432	-17 721	-43 512
Recoveries	22 458	47 882	14 455	43 953
Off-balance provisions	-1 225	9 271	-6 599	377
Property, plant and equipment and intangible assets	-7	-1 681	-932	-3 165
Non-current assets held for sale	0	-75	-101	-101
Net expected credit losses, impairment allowances and write-downs	-324 788	-1 102 039	-273 190	-756 013

11. Income Tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual income tax rate has been estimated anew in relation to the previous reporting period, due to the judgment of the Court of Justice of the European Union announced on 11 September 2019 regarding the obligation to reimburse credit costs for prepaid loans. Accordingly, the estimated average annual tax rate applicable in 2019 as at 30 September 2019 is 38% (as at 30 June 2019 it was 34%) compared to 27.82 for the nine months ended 30 September 2018. The tax rate in 2018 was lower due to the significant increase in 2019 of permanent differences caused by a higher fee for BFG and expected credit loss due to factoring receivables.

12. Profit per share

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated	01.01.2018 - 30.09.2018 Restated
Net profit	124 504	272 739	176 817	531 110
Weighted average number of ordinary shares	130 553 991	130 553 991	130 518 716	129 856 463
Share options (number) - adjusting instrument	1 160 412	1 160 412	1 272 336	1 272 336
Adjusted weighted average number of shares	131 714 403	131 714 403	131 791 052	131 128 799
Net profit per ordinary share (PLN)	0.95	2.09	1.35	4.09
Diluted profit per share (PLN)	0.95	2.07	1.34	4.05

In compliance with IAS 33, the Bank calculates diluted profit per share, including shares issued conditionally within incentive programmes described in Note 30. The calculations do not include those elements of incentive programmes that acted against dilution in the reporting periods and which, in the future, may potentially dilute profit per share.

Core profit per share is calculated as the quotient of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares in the year.

Diluted profit 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.

The number of warrants as at 30 September 2019:

Series of warrants	The number of warrants as at 31.12. 2018	The number of warrants executed during 2019	Warrants expired in 2019	The number of warrants as at 30.09. 2019 incl:	The number of warrants realised	Number of deferred warrants
A	0	0	0	0	0	0
B	528 612	0	0	528 612	525 829	2 783
C	631 800	0	0	631 800	520 348	111 452
	1 160 412	0	0	1 160 412	1 046 177	114 235

Notes to the interim condensed consolidated statement of financial position

13. Cash and balances with the central bank

13.1 Financial data

	30.09.2019	31.12.2018
Current account with the central bank	354 103	706 079
Cash	592 650	932 954
Cash and balances with central bank	946 753	1 639 033

14. Amounts due from banks

14.1 Financial data

	30.09.2019	31.12.2018
Current accounts	624 238	429 498
Overnight deposits (O/N)	203	60
Term deposits	4 113	10 047
Reverse repo	2 045 045	0
Deposits as derivative transactions (ISDA) collateral	152 752	124 998
Other	118 642	47 841
Amounts due from banks	2 944 993	612 444

15. Financial assets

15.1 Financial data

	30.09.2019	31.12.2018
Financial assets	12 707 488	13 727 570
measured at fair value through other comprehensive income	6 950 111	7 280 080
measured at fair value through profit or loss	681 790	515 138
measured at amortized cost	5 075 587	5 932 352

Financial assets by type

measured at fair value through other comprehensive income	30.09.2019	31.12.2018
Debt instruments	6 923 908	7 257 145
issued by the State Treasury	6 632 244	7 109 317
T-bonds	6 632 244	7 109 317
issued by monetary institutions	220 919	74 304

measured at fair value through other comprehensive income	30.09.2019	31.12.2018
Eurobonds	20 952	74 304
Money bills	199 967	0
issued by companies	70 745	73 524
Bonds	70 745	73 524
Equity instruments	26 203	22 935
Total	6 950 111	7 280 080

measured at fair value through profit or loss	30.09.2019	31.12.2018
Debt instruments	81 697	21 814
issued by the State Treasury	64 020	5 254
T-bonds	64 020	5 254
issued by companies	17 677	16 560
Bonds	17 677	16 560
Equity instruments	42 512	27 060
Derivative financial instruments	557 581	466 264
Interest rate transactions	331 379	286 917
SWAP	331 342	286 014
Cap Floor Options	37	903
Foreign exchange transactions	159 112	108 205
FX Swap	39 734	40 353
FX forward	59 267	32 310
CIRS	31 844	11 723
FX options	28 267	23 819
Other options	58 340	36 028
Other instruments	8 750	35 114
Total	681 790	515 138

measured at amortized cost	30.09.2019	31.12.2018
Debt instruments	5 075 587	5 932 352
issued by the State Treasury	5 075 542	5 932 352
T-bonds	5 075 542	5 932 352
issued by other financial companies	45	0
Bonds	45	0
Total	5 075 587	5 932 352

16. Loans and advances to customers

16.1 Financial data

Loans granted to customers	30.09.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	33 626 294	-2 605 673	31 020 621	32 048 060	-2 604 564	29 443 496
Consumer loans	20 070 733	-2 427 556	17 643 177	18 948 266	-2 419 791	16 528 475
Loans for residential properties	11 174 269	-137 019	11 037 250	10 490 966	-138 830	10 352 136
Consumer finance loans	2 381 292	-41 098	2 340 194	2 608 828	-45 943	2 562 885
Corporate segment	28 533 186	-2 869 323	25 663 863	26 869 349	-2 066 921	24 802 428
Working capital loans	13 563 047	-1 912 878	11 650 169	13 034 649	-1 421 812	11 612 837
Investment loans	8 433 534	-517 043	7 916 491	8 728 597	-418 269	8 310 328
Other business loans	6 536 605	-439 402	6 097 203	5 106 103	-226 840	4 879 263
Total	62 159 480	-5 474 996	56 684 484	58 917 409	-4 671 485	54 245 924

Loans granted to customers	30.09.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	33 626 294	-2 605 673	31 020 621	32 048 060	-2 604 564	29 443 496
Stage 1	28 053 059	-285 604	27 767 455	26 277 481	-288 859	25 988 622
Stage 2	2 752 740	-497 105	2 255 635	2 944 648	-539 526	2 405 122
Stage 3	2 701 613	-1 770 088	931 525	2 687 348	-1 739 333	948 015
POCI	118 882	-52 876	66 006	138 583	-36 846	101 737
Corporate segment	28 533 186	-2 869 323	25 663 863	26 869 349	-2 066 921	24 802 428
Stage 1	19 216 776	-181 380	19 035 396	18 965 556	-178 683	18 786 873
Stage 2	3 649 259	-228 445	3 420 814	3 411 742	-231 610	3 180 132
Stage 3	5 410 967	-2 409 688	3 001 279	4 231 822	-1 632 235	2 599 587
POCI	256 184	-49 810	206 374	260 229	-24 393	235 836
Total	62 159 480	-5 474 996	56 684 484	58 917 409	-4 671 485	54 245 924

Loans and advances to customers by method of allowance calculation	30.09.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	8 112 580	-4 179 776	3 932 804	6 919 170	-3 371 568	3 547 602
individual method, including:	3 317 912	-1 252 719	2 065 193	3 021 790	-930 486	2 091 304
with identified impairment	2 813 639	-1 245 431	1 568 208	2 419 201	-927 494	1 491 707
without identified impairment	504 273	-7 288	496 985	602 589	-2 992	599 597
group method, including:	4 794 668	-2 927 057	1 867 611	3 897 380	-2 441 082	1 456 298
with identified impairment	4 666 682	-2 915 668	1 751 014	3 828 021	-2 433 496	1 394 525
without identified impairment	127 986	-11 389	116 597	69 359	-7 586	61 773
Stage 2	6 401 999	-725 550	5 676 449	6 356 390	-771 136	5 585 254
Stage 1	47 269 835	-466 984	46 802 851	45 243 037	-467 542	44 775 495
POCI	375 066	-102 686	272 380	398 812	-61 239	337 573
Total	62 159 480	-5 474 996	56 684 484	58 917 409	-4 671 485	54 245 924

Loans and advances to customers – exposure of the Bank to the credit risk	30.09.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3 (with identified impairment, of which):	7 480 321	-4 161 099	3 319 222	6 247 222	-3 360 990	2 886 232
assessed with individualised method	2 813 639	-1 245 431	1 568 208	2 419 201	-927 494	1 491 707
without identified impairment, of which:	54 304 093	-1 211 211	53 092 882	52 271 375	-1 249 256	51 022 119
Stage 3 (with recognised individual indication)	632 259	-18 678	613 581	671 948	-10 578	661 370
not overdue	217 136	-7 025	210 111	136 184	-3 513	132 671
overdue	415 123	-11 653	403 470	535 764	-7 065	528 699
Stage 1 and Stage 2	53 671 834	-1 192 533	52 479 301	51 599 427	-1 238 678	50 360 749
not overdue	49 267 238	-784 886	48 482 352	46 670 992	-828 768	45 842 224
overdue	4 404 596	-407 647	3 996 949	4 928 435	-409 910	4 518 525
POCI	375 066	-102 686	272 380	398 812	-61 239	337 573
Total	62 159 480	-5 474 996	56 684 484	58 917 409	-4 671 485	54 245 924

In the third quarter of 2019, the Group sold loans with a total gross value amounting to PLN 598 251 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 470 752 thousand. The impact of debt sales on the cost of risk in the third quarter of 2019 amounted to PLN 25 258 thousand (gain).

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2019	45 243 037	6 356 390	6 919 170	398 812	58 917 409
New / purchased / granted financial assets	13 731 136	0	0	0	13 731 136
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-8 167 883	-980 169	-1 106 979	-23 717	-10 278 748
Financial assets written down	0	-2 090	-131 499	-29	-133 618
Transfer to Stage 1	1 410 551	-1 402 654	-7 897	0	0
Transfer to Stage 2	-3 443 409	3 555 644	-112 235	0	0
Transfer to Stage 3	-1 566 474	-921 364	2 487 838	0	0
Other changes	62 877	-203 758	64 182	0	-76 699
Gross carrying amount as at 30.09.2019	47 269 835	6 401 999	8 112 580	375 066	62 159 480
Expected credit losses					
Expected credit losses as at 01.01.2019	467 542	771 136	3 371 569	61 239	4 671 486
New / purchased / granted financial assets	167 163	0	0	0	167 163
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-126 340	-71 391	706 331	8 124	516 724
Financial assets written down	0	-2 090	-131 499	-29	-133 618
Transfer to Stage 1	172 846	-161 916	-10 930	0	0
Transfer to Stage 2	-55 786	80 199	-24 413	0	0
Transfer to Stage 3	-33 800	-151 697	185 497	0	0
Other changes	-124 641	261 309	83 221	33 352	253 241
Expected credit losses as at 30.09.2019	466 984	725 550	4 179 776	102 686	5 474 996
Net carrying amount as at 30.09.2019	46 802 851	5 676 449	3 932 804	272 380	56 684 484

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2018	41 402 336	6 530 949	5 830 607	480 394	54 244 286
New / purchased / granted financial assets	12 899 708	0	0	0	12 899 708
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-7 971 307	-846 985	-956 621	-58 392	-9 833 305
Financial assets written down	0	-66	-128 253	-817	-129 136
Transfer to Stage 1	1 935 673	-1 900 317	-35 356	0	0
Transfer to Stage 2	-2 766 088	2 832 649	-66 561	0	0
Transfer to Stage 3	-983 721	-1 037 106	2 020 827	0	0
Other changes	511 675	-268 005	485 281	4 900	733 851
Gross carrying amount as at 30.09.2018	45 028 276	5 311 119	7 149 924	426 085	57 915 404
Expected credit losses					
Expected credit losses as at 01.01.2018	530 770	830 959	2 730 321	22 990	4 115 040
New / purchased / granted financial assets	454 251	0	0	0	454 251
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-554 072	62 882	781 319	13 375	303 504

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets written down	0	-18	-118 145	-691	-118 854
Transfer to Stage 1	159 837	-145 085	-14 752	0	0
Transfer to Stage 2	-59 298	82 138	-22 840	0	0
Transfer to Stage 3	-75 151	-297 467	372 618	0	0
Other changes	41 436	241 181	-397 235	15 429	-99 189
Expected credit losses as at 30.09.2018	497 772	774 590	3 331 287	51 103	4 654 752
Net carrying amount as at 30.09.2018	44 530 504	4 536 529	3 818 637	374 982	53 260 652

17. Other assets

	30.09.2019	31.12.2018
Sundry debtors	690 065	566 357
other settlements	427 639	331 127
receivables related to sales of services (including insurance)	32 239	36 905
guarantee deposits	16 328	16 962
settlements due to cash in ATMs	103 859	181 363
subsidy from BGF	110 000	0
Costs recognised over time	36 185	34 517
settlements of rental charges and utilities	526	617
maintenance and support of systems, servicing of plant and equipment	16 383	18 167
other deferred costs	19 276	15 733
Other receivables	1 419	57
VAT settlements	60 433	145 385
Other assets (gross)	788 102	746 316
Write-down	-65 387	-69 835
Other assets (net)	722 715	676 481
including financial assets (gross)	690 065	566 357

18. Assets pledged as collateral

18.1 Financial data

	30.09.2019	31.12.2018
Treasury bonds blocked for REPO transactions	23 918	0
Deposit as collateral of transactions performed in Alior Trader	667	88
Financial assets measured at amortised cost securing a loan in the EIB	333 067	333 198
Total	357 652	333 286

In addition to assets pledged as collateral which are presented in the statement of financial position separately and listed in the table above, for which the recipient has the right to sell or exchange for collateral, the Bank still had the following collateral obligations that did not meet this criterion:

	30.09.2019	31.12.2018
Treasury bonds blocked with BGF	383 697	351 896
Deposits as derivative transactions (ISDA) collateral	152 752	124 998
Total	536 449	476 894

19. Amounts due to banks

Structure by type	30.09.2019	31.12.2018
Current deposits	3 774	4 991
Term deposits	150 438	2 770
Own bond issues	383 104	22 761
Received loan	183 034	230 830
Other liabilities	239 574	331 975
Repo	24 263	0
Total amounts due to banks	984 187	593 327

20. Amounts due to customers

Structure by type and customer segment	30.09.2019	31.12.2018
Retail segment	46 641 689	43 944 874
current deposits	30 327 179	28 546 686
term deposits	13 453 463	12 777 384
own issue of banking securities	2 599 935	2 380 331
own bond issues	80 888	81 484
other liabilities	180 224	158 989
Corporate segment	18 097 732	18 490 711
current deposits	9 795 180	10 130 389
term deposits	7 890 368	7 489 126
issue of the Bank's securities	36 026	429 148
own bond issues	147 567	163 883
other liabilities	228 591	278 165
Total amounts due to customers	64 739 421	62 435 585

In the third quarter 2019 the Bank issued own securities amounted to PLN 1 005 071 thousand (BPW) and securities purchased before maturity amounted to PLN 52 803 thousand.

In 2018 the Bank issued own securities amounted to PLN 1 111 576 thousand (BPW) and securities purchased before maturity amounted to PLN 123 966 thousand.

21. Provisions

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 01 January 2019	35 064	7 242	74 365	9 528	126 199
Change due to acquisition of SKOK Jaworzno	231	113	0	6 563	6 907
Established provisions	10 384	8 007	91 831	0	110 222
Reversal of provisions	-4 682	-7 137	-101 102	-945	-113 866
Utilized provisions	-2 121	-300	0	-10 069	-12 490
Other changes	2 596	0	148	0	2 744
As at 30 September 2019	41 472	7 925	65 242	5 077	119 716

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 01 January 2018	16 024	13 338	145 305	37 418	212 085
incl. impact of MSSF 9	0	0	121 628	0	121 628
Established provisions	35 484	7 207	237 131	0	279 822
Reversal of provisions	-7 750	-12 892	-308 079	-6 800	-335 521
Utilized provisions	-8 698	-427	0	-21 090	-30 215
Other changes	4	16	8	0	28

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 31 December 2018	35 064	7 242	74 365	9 528	126 199

The restructuring provision is dedicated 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).

The restructuring program was announced by the Bank and its implementation started in December 2016. Moreover, in connection with the acquisition of SKOK Jaworzno, the Bank recognized additional provisions for severance pay for employees and the expected costs of restructuring branches of the former SKOK.

Split of the restructuring provision as at 30.09.2019 is presented below :

	31.12.2018	established to acquisition of SKOK Jaworzno	utilisation	reversal	30.09.2019
Severance pay for employees	0	739	0	0	739
Reorganisation of the branch network	9 528	5 824	-10 069	-945	4 338
Total	9 528	6 563	-10 069	-945	5 077

22. Other liabilities

	30.09.2019	31.12.2018
Interbank settlements	581 179	354 356
Taxes, customs duty, social and health insurance payables and other public settlements	40 076	39 057
Settlements of payment cards	133 968	117 620
Other settlements, including:	165 938	123 600
settlements with insurers	15 025	20 118
Settlements of issues of bank certificates of deposits	724	42 902
Accrued expenses	167 723	166 377
Income received in advance	68 807	70 509
Provision for reimbursement of credit costs (TSUE's provision)*	102 374	0
Provision for bancassurance resignations	27 053	28 300
Provision for bonuses	73 176	102 469
Provision for unutilised annual leaves	24 620	24 298
Provision for bonuse settled in phantom shares	7 234	15 355
Provision for retention programs	2 214	6 326
Revaluation of management option plan – part settled in cash	5 113	5 373
Other employee provisions	976	2 893
Leasing	371 638	0
Other liabilities	51 587	67 676
Other liabilities	1 824 400	1 167 111
including financial liabilities	881 085	595 576

* description in note 36

23. Financial liabilities

23.1 Financial data

	30.09.2019	31.12.2018
Short sale of T-bonds	59 374	0
Interest rate transactions	347 195	290 875
SWAP	347 159	289 975
Cap Floor Options	36	900
Foreign exchange transactions	47 783	55 226
FX Swap	7 616	12 170
FX forward	5 216	13 117
CIRS	9 344	5 586
FX options	25 607	24 353
Other options	58 340	36 028
Other instruments	7 457	34 278
Total	520 149	416 407

24. Subordinated liabilities

	Nominal value in the currency (PLN '000)	Currency	Term	Specific conditions	Status of liabilities	
					30.09.2019	31.12.2018
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.	43 930	43 189
Series F bonds	321 700	PLN	26.09.2014-26.09.2024		321 919	325 914
Series G bonds	192 950	PLN	31.03.2015-31.03.2021		192 977	195 551
Series I bonds	150 000	PLN	04.12.2015-06.12.2021		152 514	150 591
Series II bonds	33 350	PLN	04.12.2015-06.12.2021		33 909	33 482
Series B bonds (Meritum Bank)	67 200	PLN	29.04.2013-29.04.2021		69 223	67 885
Meritum Bank bonds – series C	80 000	PLN	21.10.2014-21.10.2022		81 825	80 582
Series EUR001 bonds	10 000	EUR	04.02.2016-04.02.2022		44 153	44 060
Series P1A bonds	150 000	PLN	27.04.2016-16.05.2022		152 862	150 957
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024		71 269	70 424
Series K bonds	400 000	PLN	20.10.2017-20.10.2025		408 080	403 600
Series K1 bonds	200 000	PLN	20.10.2017-20.10.2025		204 040	201 800
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025		151 736	150 058
Subordinated liabilities					1 928 437	1 918 093

25. Fair value hierarchy

25.1 Accounting principles

The fair value is a price receivable in the sale of an asset or payable for transfer of a liability in an arm's length transaction in the principal (or most advantageous) market as at the measurement date subject to prevailing market conditions (exit price), irrespective of the fact if such price is directly observable or estimated with another measurement technique.

Depending on the classification category of financial assets and liabilities to a specific hierarchy level, various methods to measure fair value are applied.

Level 1: On the basis of prices quoted in the principal (or most advantageous) market

Financial assets and liabilities with fair value measured directly on the basis of quoted prices (not adjusted) from active markets for identical assets or liabilities, like :

- debt Treasury securities valued at fixing on the Bondspot platform or Bloomberg information services and Reuters,
- debt and equity securities traded in a regulated market, including in the portfolio of the Brokerage House,
- derivative instruments that are traded in a regulated market

Level 2: On the basis of measurement techniques based on assumptions using information coming from the principal (or most advantageous) market

There are included derivative financial instruments based on the discounted future cash flows based on profitability curves obtained from the interbank money market, NBP's money bills based on profitability curve method which are developed on the basis of money market data and FX options and interest rate options measured with the use of specific valuation models characteristic for a specific option.

Level 3: For which minimum one factor affecting the price is not observable in the market.

Instruments from this level are included options embedded in structured instruments issued by the Bank and options in the interbank market to hedge positions of the embedded options. The fair value is determined on the basis of market prices of those options or an internal model subject to both observable parameters (e.g. price of the base instrument, secondary quotations of options) and non-observable (e.g. variability, correlations between base instruments in options based on a basket). Model parameters are determined on the basis of a statistical analysis. At the end of the reporting period, the position in the above-mentioned instruments was closed on back-to-back basis, which means that the change in valuation of options embedded in structured instruments is offset by changes in the valuation of options concluded on the interbank market. The group also contains the Bank's position in commercial debt securities where apart from the parameters coming from market quotations are affected by non-observable volume of credit spread.

Transfers of instruments between measurement levels as at the end of the reporting period. Transfers are made subject to conditions set forth in the international financial reporting standards, for instance quotation availability of instruments from an active market, availability of quotations of pricing factors, or impact of non-observable data on the fair value.

The carrying amounts of financial assets and liabilities by categories (levels) of valuation are presented below. In the third quarter of 2019 there were no transfer between valuation levels.

30.09.2019	Level 1	Level 2	Level 3	Total
Financial assets				
Measured at fair value through profit and loss	66 619	496 961	118 210	681 790
SWAP	0	331 342	0	331 342
Cap Floor Ooptions	0	37	0	37
FX Swap	0	39 734	0	39 734
FX forward	0	59 267	0	59 267
CIRS	0	31 844	0	31 844
FX options	0	28 267	0	28 267
Other options	0	0	58 340	58 340
Other instruments	2 280	6 470	0	8 750

30.09.2019	Level 1	Level 2	Level 3	Total
Financial derivatives	2 280	496 961	58 340	557 581
Equity instruments	223	0	42 289	42 512
Treasury bonds	64 020	0	0	64 020
Other bonds	96	0	17 581	17 677
Investments securities	64 339	0	59 870	124 209
Measured at fair value through other comprehensive income	6 653 196	199 967	96 948	6 950 111
Money bills	0	199 967	0	199 967
Equity instruments	0	0	26 203	26 203
Treasury bonds	6 632 244	0	0	6 632 244
Other bonds	20 952	0	70 745	91 697
Derivative hedging instruments	0	135 182	0	135 182
Interest rate transactions – SWAP	0	135 182	0	135 182

31.12.2018	Level 1	Level 2	Level 3	Total
Financial assets				
Measured at fair value through profit and loss	24 724	411 197	79 217	515 138
SWAP	0	286 014	0	286 014
Cap Floor Options	0	903	0	903
FX Swap	0	40 353	0	40 353
FX forward	0	32 310	0	32 310
CIRS	0	11 723	0	11 723
FX options	0	23 819	0	23 819
Other options	0	0	36 028	36 028
Other instruments	19 039	16 075	0	35 114
Financial derivatives	19 039	411 197	36 028	466 264
Equity instruments	248	0	26 812	27 060
Treasury bonds	5 254	0	0	5 254
Other bonds	183	0	16 377	16 560
Investments securities	5 685	0	43 189	48 874
Measured at fair value through other comprehensive income	7 183 621	0	96 459	7 280 080
Equity instruments	0	0	22 935	22 935
Treasury bonds	7 109 317	0	0	7 109 317
Other bonds	74 304	0	73 524	147 828
Derivative hedging instruments	0	112 400	0	112 400
Interest rate transactions – SWAP	0	112 400	0	112 400

30.09.2019	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	66 247	395 562	58 340	520 149
Bonds	59 374	0	0	59 374
SWAP	0	347 159	0	347 159
Cap Floor Options	0	36	0	36
FX Swap	0	7 616	0	7 616
FX forward	0	5 216	0	5 216
CIRS	0	9 344	0	9 344
FX options	0	25 607	0	25 607
Other options	0	0	58 340	58 340
Other instruments	6 873	584	0	7 457
Derivative hedging instruments	0	46 356	0	46 356

30.09.2019	Level 1	Level 2	Level 3	Total
Interest rate swaps - IRS	0	46 356	0	46 356

31.12.2018	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	17 709	362 670	36 028	416 407
SWAP	0	289 975	0	289 975
Cap Floor Options	0	900	0	900
FX Swap	0	12 170	0	12 170
FX forward	0	13 117	0	13 117
CIRS	0	5 586	0	5 586
FX options	0	24 353	0	24 353
Other options	0	0	36 028	36 028
Other instruments	17 709	16 569	0	34 278
Derivative hedging instruments	0	9 381	0	9 381
Interest rate swaps - IRS	0	9 381	0	9 381

Reconciliation of changes at level 3 of fair value hierarchy

	Assets		Liabilities	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Opening balance	175 676	293 967	36 028	51 719
Increases, of which:	70 974	49 927	46 187	35 774
Valuation recognised in other comprehensive income	11 298	15 358	0	0
Valuation recognised in income statement	41 718	15 407	33 347	16 538
Purchases	17 958	19 162	12 840	19 236
Decreases, of which:	-31 492	-134 318	-23 875	-19 983
Interest recognised in other comprehensive income	-404	-866	0	0
Valuation recognised in income statement	-759	-7 935	-751	-6 957
Sale	-22 858	-2	-23 124	0
Redemption	-7 471	-125 515	0	-13 026
Total	215 158	209 576	58 340	67 510

At the end of the third quarter of 2019, 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 7.1 million and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 1.3 million.

Disclosures of fair value

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

30.09.2019	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Cash and balance with Central Bank	946 753	946 753	0	0	946 753
Amount due from banks	2 944 993	0	2 944 993	0	2 944 993

30.09.2019	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Loans and advances to customers	56 684 484	0	0	55 073 163	55 073 163
Retail segment	31 020 621	0	0	29 754 709	29 754 709
Consumer loans	17 643 177	0	0	17 066 894	17 066 894
Loans for residential real estate	11 037 250	0	0	10 349 975	10 349 975
Consumer finance loans	2 340 194	0	0	2 337 840	2 337 840
Corporate segment	25 663 863	0	0	25 318 454	25 318 454
Working capital facility	11 650 169	0	0	11 549 652	11 549 652
Investment loans	7 916 491	0	0	7 671 601	7 671 601
Other	6 097 203	0	0	6 097 202	6 097 202
Asstes pledged as collateral	357 652	362 980	0	0	362 980
Investment securities measured at amortized cost	5 075 587	5 122 629	0	0	5 122 629
Other assets	690 065	0	0	690 065	690 065
Liabilities					
Amounts due to banks	984 187	0	984 187	0	984 187
Current deposits	3 774	0	3 774	0	3 774
Term deposits	150 438	0	150 438	0	150 438
Bonds issued	383 104	0	383 104	0	383 104
Credit received	183 034	0	183 034	0	183 034
Other liabilities	239 574	0	239 574	0	239 574
Repo	24 263	0	24 263	0	24 263
Amounts due to customers	64 739 421	0	0	64 824 199	64 824 199
Current deposits	40 122 359	0	0	40 122 359	40 122 359
Term deposits	21 343 831	0	0	21 343 831	21 343 831
Banking securities issued	2 635 961	0	0	2 720 739	2 720 739
Bonds issued	228 455	0	0	228 455	228 455
Other liabilities	408 815	0	0	408 815	408 815
Other liabilities	881 085	0	0	881 085	881 085
Subordinated liabilities	1 928 437	0	0	1 928 437	1 928 437

31.12.2018	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Cash and balance with Central Bank	1 639 033	1 639 033	0	0	1 639 033
Amount due from banks	612 444	0	612 444	0	612 444
Loans and advances to customers	54 245 924	0	0	53 664 354	53 664 354
Retail segment	29 443 496	0	0	28 967 837	28 967 837
Consumer loans	16 528 475	0	0	16 696 138	16 696 138
Loans for residential real estate	10 352 136	0	0	9 705 977	9 705 977
Consumer finance loans	2 562 885	0	0	2 565 722	2 565 722
Corporate segment	24 802 428	0	0	24 696 517	24 696 517
Working capital facility	11 612 837	0	0	11 634 279	11 634 279
Investment loans	8 310 328	0	0	8 182 976	8 182 976
Other	4 879 263	0	0	4 879 262	4 879 262
Asstes pledged as collateral	333 286	336 665	0	0	336 665
Investment securities measured at amortized cost	5 932 352	5 994 085	0	0	5 994 085
Other assets	566 357	0	0	566 357	566 357
Liabilities					
Amounts due to banks	593 327	0	593 327	0	593 327
Current deposits	4 991	0	4 991	0	4 991

31.12.2018	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Term deposits	2 770	0	2 770	0	2 770
Bonds issued	22 761	0	22 761	0	22 761
Credit received	230 830	0	230 830	0	230 830
Other liabilities	331 975	0	331 975	0	331 975
Repo	24 263	0	24 263	0	24 263
Amounts due to customers	62 435 585	0	0	62 476 305	62 476 305
Current deposits	38 677 075	0	0	38 677 075	38 677 075
Term deposits	20 266 510	0	0	20 266 510	20 266 510
Banking securities issued	2 809 479	0	0	2 850 199	2 850 199
Bonds issued	245 367	0	0	245 367	245 367
Other liabilities	437 154	0	0	437 154	437 154
Other liabilities	595 576	0	0	595 576	595 576
Subordinated liabilities	1 918 093	0	0	1 918 093	1 918 093

The following methods and assumptions were used to estimate the fair value of these instruments.

Receivables from customers

In the method applied by the Bank to calculate the fair value of receivables from customers (without overdraft facilities), the Bank compares the margins generated on newly granted loans (in the month preceding the reporting date) with the margin on the total loan portfolio. If the margins on newly granted loans are higher than the margins on the portfolio, the loan fair value is lower than its carrying value.

Financial liabilities measured at amortised cost

The Bank assumes that the fair value of customer and bank deposits and other financial liabilities maturing within 1 year is approximately equal to their carrying value.

For disclosure purposes, the Bank determines the fair value of financial liabilities with residual maturities (or repricing of the variable rate) in excess of 1 year. That group of liabilities includes the Bank's own issues and subordinated loans. Determining the fair value of that group of liabilities, the Bank determines the present value on anticipated payments on the basis of present percentage curves and the original spread of the issue.

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.

01.01.2019 - 30.09.2019	
Interest income	2 972 001
Income of a similar nature	122 437

	01.01.2019 - 30.09.2019
Interest expense	-659 891
Net interest income	2 434 547
Fee and commission income	848 493
Fee and commission expense	-351 947
Net fee and commission income	496 546
Dividend income	7 275
The result on financial assets measured at fair value through profit or loss and FX result	48 136
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss including:	29 131
measured at fair value through other comprehensive income	21 700
measured at amortized cost	7 431
Other operating income	90 555
Other operating costs	-124 898
Net other operating income and expenses	-34 343
General administrative expenses	-1 253 585
Net expected credit losses	-1 102 035
Banking tax	-169 206
Gross profit	456 466
Income tax	-169 104
Net profit	287 362

Equity for the purposes of the capital adequacy

	30.09.2019	31.12.2018
Total equity for the capital adequacy ratio	8 189 621	8 156 980
Tier I core capital (CET1)	6 745 864	6 594 281
Supplementary Tier II capital	1 443 757	1 562 699
Paid-up capital	1 305 540	1 305 187
Supplementary capital	5 388 926	5 380 995
Other reserves	184 284	184 284
Current year's reviewed by auditor	169 889	539 099
Accumulated losses	-435 075	-1 151 445
Revaluation reserve – unrealised losses	-6 489	-5 937
Intangible assets measured at carrying value	-540 434	-539 273
Revaluation reserve – unrealised profit	31 864	39 196
Subordinated liabilities	1 443 757	1 562 699
Additional value adjustments	647 358	842 174
Capital requirements	4 035 315	4 117 481
Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 700 796	3 662 124
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk.	5 689	3 497
Capital requirement relating to the general interest rate risk	22 873	36 991
Total capital requirements for the operational risk	305 957	414 870
Tier 1 ratio	13.37%	12.81%
Total capital adequacy ratio	16.24%	15.85%

The Bank, decided to apply the transitional provisions provided in Regulation No. 2017/2395, which means that the full impact of implementing IFRS 9 will not be taken into account for the purpose of assessing the Bank's capital adequacy.

The table below presents the impact of the application of IFRS 9 as at 30 September 2019 on capital adequacy including and without taking into account the transition period:

	Impact of IFRS 9 including the transition period	Impact of IFRS 9 without considering the transition period
Total capital (TIER 1, TIER 2)	8 189 621	7 017 157
The total capital requirement	4 035 315	3 853 587
Total capital ratio	16.24%	14.57%
Financial leverage ratio	8.31%	6.89%

27. Off – balance sheet items

Off-balance contingent liabilities granted to customers	30.09.2019	31.12.2018
Granted off-balance liabilities	9 218 276	10 902 052
Concerning financing	8 342 619	9 996 156
Guarantees	875 657	905 896
performance guarantees	232 270	215 724
financial guarantees	643 387	690 172

28. Transactions with related entities

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	30.09.2019	31.12.2018
Liabilities		
Amounts due to customers	52	78
Provisions	70	4
Total liabilities	122	82

Subsidiaries of the parent company	30.09.2019	31.12.2018
Assets		
Financial assets	177 850	199 700
measured at amortized cost	150 090	149 289
measured at fair value through other comprehensive income	27 314	50 180
measured at fair value through profit or loss	446	231
Derivative hedging instruments	0	476
Amounts due from banks	465	224
Total assets	178 315	200 400
Liabilities		
Amounts due to customers	388 902	313 933
Financial liabilities measured at fair value through profit or loss	419	178
Derivative hedging instruments	0	205
Provisions	4 988	5
Other liabilities	14 712	3 757
Revaluation reserve	2	-1 348
Total liabilities and equity	409 023	316 730

Parent company	30.09.2019	31.12.2018
Off-balance liabilities granted to customers	0	116

Parent company	30.09.2019	31.12.2018
guarantees	0	116

Joint control by persons related to the Group	30.09.2019	31.12.2018
Assets		
Amounts due from customers	1	0
Total assets	1	0
Liabilities		
Amounts due to customers	14 954	31 277
Total liabilities and equity	14 954	31 277

Parent company	01.01.2019 – 30.09.2019	01.01.2018 – 30.09.2018 Restated
Fee and commission income	21 919	5
Fee and commission expense	-1 075	-15
Net other operating income and expenses	-769	-900
General administrative expenses	-27	-2
Net expected credit losses, impairment allowances and write-downs	-65	0
Total	19 983	-908

Subsidiaries of the parent company	01.01.2019 – 30.09.2019	01.01.2018 – 30.09.2018 Restated
Interest income	247	44
Interest expense	-7 327	-5 389
Fee and commission income	31 894	4 692
Fee and commission expense	-7	-5
The result on financial assets measured at fair value through profit or loss and FX result	-788	-1 142
General administrative expenses	25	1 351
Net other operating income and expenses	8	0
Total	24 052	-449

Joint control by persons related to the Group	01.01.2019 – 30.09.2019	01.01.2018 – 30.09.2018 Restated
Interest expense	-47	-240
Fee and commission income	8	1
Net expected credit losses, impairment allowances and write-downs	1	0
Total	-38	-239

Nature of transactions with related parties

All transactions with related entities are performed in line with relevant regulations concerning banking products and at market rates.

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	30.09.2019	31.12.2018
Assets		
Financial assets	12 236 076	13 537 573
measured at fair value through other comprehensive income	6 726 918	7 250 424
measured at fair value through profit or loss	81 601	21 631
measured at amortized cost	5 427 557	6 265 518
Amounts due from banks	961	628
Amounts due from customers	92 254	23 416
Total assets	12 329 291	13 561 617
Liabilities		
Financial liabilities measured at fair value through profit or loss	59 374	0
Amounts due to banks	253 265	127 772
Amounts due to customers	1 081 430	934 724
Total liabilities	1 394 069	1 062 496

Transactions with the State Treasury and related entities	01.01.2019 – 30.09.2019	01.01.2018 – 30.09.2018 Restated
Interest income	193 026	190 034
Interest expense	-19 499	-29 615
Costs of tax paid	-414 262	-502 474
Total	-240 735	-342 055

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

30.09.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
Assets			
Amounts due from customers	4	0	4
Total assets	4	0	4
Liabilities			
Amounts due to customers	2 873	19	2 854
Total liabilities	2 873	19	2 854

30.09.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
Off-balance sheet liabilities granted to customers	36	0	36
Relating to financing	36	0	36

The total remuneration of Members of the Bank's Supervisory Board and Members of Bank's Management Board members performing their duties from 1 January to 30 September 2019 recognized in the Group's profit and loss account for this period amounted to PLN 11 047 thousand (in the period from 1 January to 30 September 2018 it amounted to PLN 11 715 thousand).

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;
- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash;
- 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 2018.

31. Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during in the third quarter 2019 and none of the proceedings jointly, could pose a threat to the Bank's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented below:

- case claimed by a client - limited company for a payment of PLN 102 738 thousand in respect of compensation for damage incurred in connection with the conclusion and settlement of treasury transactions. The claim dated 27 April 2017 was brought against Alior Bank SA and Bank BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis;
- case claimed by a client - limited company for a payment of PLN 17 843 thousand for clearing currency option contracts. The claim dated 10 February 2015 was brought originally against BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis;
- case claimed by a client - a private individual - a representative of a group of 84 private individuals and corporate clients to determine the Bank's liability for damage. On 5 March 2018 class actions was filed against Alior Bank in determining the Bank's liability for damage caused by improper performance of information obligations by the Bank towards clients and improper performance of contracts for the provision of services for the receipt and transfer of purchase or sale orders investment's certificates of investment funds previously managed by Fincrea TFI SA, and currently Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. In the claimant's view Bank did not provide clients with information about the real risk of investing in investment products, thus exposing the clients to damage resulting from the impairment of investment certificates and the loss of guaranteed profits. In the Bank's opinion, a class action lawsuit has no valid factual or legal basis and therefore should not be resolved in favor of customers. As at the date of financial statements, the court to which a class action was filed did not issue a decision on the admissibility of considering a class action. In addition, Alior Bank assumes that the risk of a disadvantageous settlement of the suit and a significant loss in this respect is estimated at a lower than medium level, thus as at 30 September 2019, the Bank did not create any provisions in respect of this claim. At the present stage, it is not possible to estimate the financial consequences for the Bank in the event of a different settlement by the court than assumed by the Bank.

Polish Financial Supervision Authority (PFSA) by decision of August 6, 2019 issued on the basis of art. 167 section 2 point 1 in connection with art. 167 section 1 point 1 of the Act on trading in financial instruments, imposed a fine on the Bank in the amount of PLN 10 000 000. The proceedings concerned the correct operation of Alior Bank and the Bank's Brokerage House in the scope of distribution of investment certificates of funds previously managed by Fincrea TFI S.A. and now Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. The bank requested the PFSA to reconsider the case.

- case under art. 49 of the Banking Act – on 30 September 2019, 140 proceedings for reimbursement of credit costs related to early repayment of the loan were initiated against Alior Bank. In each case, the claimant demands a reduction in the cost of the loan. The total value of the subject of dispute is PLN 2 320 606.10, the current value of disputed claims amount to PLN 2 134 761.57.

The value of disputed claims amounted to PLN 324 252 thousand as at the end of third quarter 2019 and PLN 258 700 thousand as at the end of 2018. The value of provisions for disputed claims amounted to PLN 41 472 thousand as at the end of third quarter 2019 and PLN 35 064 thousand as at the end of 2018.

Affairs related to the operation of Alior Bank SA's subsidiaries

On 26 June 2019, Alior Leasing sp. z o.o. received a lawsuit in which the dismissed by Supervisory Board on 20 December 2018 members of the Management Board claim for payment of compensation in the amount of PLN 0.6 M.

The Management Board of Alior Leasing sp. o.o. is of the opinion that the above claim is unfounded and that there is a low risk being recognized it by the court.

Since the beginning of the year 2019, Alior Leasing sp. o.o. received from the four former members of the company's Management Board several a written proposal for an amicable termination of cooperation and contracts of management, which was based on payment of compensation of the some value of the management option scheme. The management option scheme included former members of the company's Management Board and some employess.

Bearing in mind the legal opinions issued in this case, the Group is of the opinion that the chances effective recovery of their rights under the management option scheme by the dismissed Management Board members are low. The company's position is based on legal opinions obtained by the Company's Management Board. The above circumstances justify not creating provisions in this respect in the Group's financial statements.

Alior Leasing sp. z o.o identifies the possibility of claims by external entities in connection with the activities of some former employees and associates of the company. As at the date of this financial statements, claims in this respect were not reported. In the Group's opinion, there are no circumstances justifying the creation of a provision on this account.

The Group will not reveal further information regarding the above-indicated possible claims, in order not to weaken his future position in a potential dispute or administrative proceeding.

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

During the third quarter of 2019 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 2018 and information on no dividend payment

On 28 June 2019, the Annual General Shareholders' Meeting of Alior Bank Spółka Akcyjna passed a resolution on distribution of profit for 2018 in the total amount of PLN 731 073 627.45 in the following way:

- coverage of accumulated loss resulting from the implementation of IFRS 9 in the amount of PLN 724 967 282.80
- allocation to reserve capital of non-distributable profit on the activity of the Housing Fund of PLN 6 106 344.65 pursuant to Art. 5.4 of the Act of 26 October 1995, on certain forms of support to housing construction (as amended).

34. Risk management

Risk management is one of the key internal processes in the Alior Bank 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 2018 published on 28 February 2019 and available on the Alior Bank SA website.

Since 1 January 2018, the Bank uses the advanced operational risk measurement method (AMA). In connection with the above, in accordance with the requirements of CRR Article 454, the Bank, seeking to limit the risk of materializing the effects of rare but potentially severe operational events, has bought a number of insurance policies. Mentioned policies concerned, among others property insurance, liability insurance, D&O insurance, third-party liability for agency services providers, public issue of securities, electronic equipment insurance - costs of data recovery, portable media, software, insurance against criminal offenses. The terms of individual policies were adapted to the scale and scope of the risk incurred. Those policies are not used as a mechanism limiting the amount of own funds requirements for operational risk or as a mitigating factor for the amount of internal capital for operational risk.

Liquidity risk

Specification of maturity/payment dates of contractual flows of the Bank's assets and liabilities as at 30 September 2019 (PLN M):

30.09.2019	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	2 973	3 203	2 362	3 315	6 435	11 878	22 629	42 342	95 137
Cash & Nostro	1 626	0	0	0	0	0	0	0	1 626
Amounts due from banks	547	1 502	0	0	0	153	0	51	2 253
Securities	0	511	44	39	697	2 274	5 569	4 419	13 553
Amounts due from customers	800	1 190	2 318	3 276	5 738	9 451	17 060	33 996	73 829
Other assets	0	0	0	0	0	0	0	3 876	3 876
LIABILITIES AND EQUITY	-44 876	-4 438	-6 168	-3 962	-4 974	-3 254	-1 803	-7 808	-77 283
Amounts due to banks	-259	-113	-161	-11	-21	-37	-53	-82	-737
Amounts due to customers	-42 626	-4 150	-5 714	-3 718	-3 893	-1 595	-355	-64	-62 115
Own issues	0	-171	-267	-195	-983	-1 517	-1 250	-814	-5 197
Equity	0	-4	-8	-12	-24	0	0	-6 732	-6 780
Other liabilities	-1 991	0	-18	-26	-53	-105	-145	-116	-2 454
Balance sheet gap	-41 903	-1 235	-3 806	-647	1 461	8 624	20 826	34 534	17 854
Cumulated balance sheet gap	-41 903	-43 138	-46 944	-47 591	-46 130	-37 506	-16 680	17 854	
Derivative instruments – inflows	2 953	4 029	2 267	1 511	579	811	295	43	12 488
Derivative instruments – outflows	-2 950	-3 999	-2 234	-1 491	-578	-795	-294	-43	-12 384
Derivative instruments – net	3	30	33	20	1	16	1	0	104
Guarantee and financing lines	-9 218	0	0	0	0	0	0	0	-9 218
Off-balance sheet gap	-9 215	30	33	20	1	16	1	0	-9 114

Total gap	-51 118	-1 205	-3 773	-627	1 462	8 640	20 827	34 534	8 740
Total cumulated gap	-51 118	-52 323	-56 096	-56 723	-55 261	-46 621	-25 794	8 740	

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

31.12.2018	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	2 395	946	2 701	3 330	7 024	10 019	21 829	42 445	90 689
Cash & Nostro	2 116	0	0	0	0	0	0	0	2 116
Amounts due from banks	0	10	0	0	0	125	0	0	135
Securities	0	41	2	272	919	1 467	5 594	6 603	14 898
Amounts due from customers	279	895	2 699	3 058	6 105	8 427	16 235	32 791	70 489
Other assets	0	0	0	0	0	0	0	3 051	3 051
LIABILITIES AND EQUITY	-43 104	-4 747	-6 221	-3 583	-3 530	-3 046	-1 913	-8 006	-74 150
Amounts due to banks	-342	-7	-5	-10	-61	-40	-76	-109	-650
Amounts due to customers	-40 937	-4 631	-5 995	-3 189	-2 957	-1 536	-306	-54	-59 605
Own issues	0	-108	-221	-384	-512	-1 470	-1 531	-1 240	-5 466
Equity	0	0	0	0	0	0	0	-6 486	-6 486
Other liabilities	-1 825	-1	0	0	0	0	0	-117	-1 943
Balance sheet gap	-40 709	-3 801	-3 520	-253	3 494	6 973	19 916	34 439	16 539
Cumulated balance sheet gap	-40 709	-44 510	-48 030	-48 283	-44 789	-37 816	-17 900	16 539	
Derivative instruments – inflows	0	6 884	2 394	327	832	485	351	43	11 316
Derivative instruments – outflows	0	-6 867	-2 375	-327	-831	-485	-361	-43	-11 289
Derivative instruments – net	0	17	19	0	1	0	-10	0	27
Guarantee and financing lines	-10 902	0	0	0	0	0	0	0	-10 902
Off-balance sheet gap	-10 902	17	19	0	1	0	-10	0	-10 875
Total gap	-51 611	-3 784	-3 501	-253	3 495	6 973	19 906	34 439	5 664
Total cumulated gap	-51 611	-55 395	-58 896	-59 149	-55 654	-48 681	-28 775	5 664	

35. Acquisition of Spółdzielcza Kasa Oszczędnościowo – Kredytowa

On 31 January 2019, the Polish Financial Supervision Authority (PFSA) made a decision concerning the acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa Jaworzno (SKOK Jaworzno) by Alior Bank SA. On 1 February 2019, the Management Board of Alior Bank SA. took over the management of SKOK Jaworzno's assets. As at 1 April 2019, Alior Bank SA acquired SKOK Jaworzno.

Pursuant to Art. 74c (4) of the Act on Credit Unions, the acquiree assumes all the rights and obligations of the acquired union as of the acquisition date. Until the date of the acquisition by Alior Bank SA., SKOK Jaworzno conducted the full range of business activities and offered the full range of services to its members as previously. Alior Bank once again joined the recovery process of Cooperative Savings and Credit Union supported by the Financial Supervision Authority (KNF) and the Bank Guarantee Fund (BFG). The acquisition of SKOK Jaworzno by Alior Bank SA will guarantee the full safety of the funds accumulated by the acquired Spółdzielcza Kasa Oszczędnościowo - Kredytowa Jaworzno and provide SKOK Jaworzno members with access to a wider product offer by Alior Bank SA.

The acquisition was settled in accordance with IFRS 3 in the Bank's accounting books. The acquisition process was carried out with the assumption of the BGF support to the Bank based on art. 264 of the Bank Guarantee Fund Act and did not involve payment by the Bank. The BFG support will consist subsidising and providing guarantees to cover losses (relevant contracts are being finalized) resulting from the risk related to the acquired property rights of SKOK Jaworzno. The BFG subsidy will be granted to cover the difference between the value

of acquired property rights and liabilities due to guaranteed deposits of SKOK depositors as established as at the acquisition date and as at 30 September 2019 its value was estimated at PLN 110 M. According to IFRS 3, the Bank has 12 months for the final settlement of the acquisition - by the end of March 2020 therefore amounts accepted for settlement of the transaction as at 30 September 2019 may still be subject to change. In accordance with IFRS 3, the Bank recognized in its books the fair values of acquired assets and liabilities.

1. Corrections of the loan portfolio

The total fair value of the loan portfolio of SKOK Jaworzno has been determined for loans without recognized impairment (working portfolio). For these loans, the calculation was based on contractual flows corrected for credit risk and prepayments. The fair value of the operating loan portfolio of the SKOK Jaworzno was determined using the discounted cash flow model using the observed market interest rates adjusted for the liquidity margin, the cost of capital broken down into homogeneous subportfels. In the case of non-performing loans portfolio, its fair value was assumed to be equal to the book value due to the expected insignificant recovery.

2. Correction of the deposit portfolio

The Bank assumed that the fair value of client and bank deposits and other financial liabilities with maturity up to 1 year is approximately equal to their carrying amount. When determining the fair value of financial liabilities with residual maturity over 1 year, the Bank set the current value of expected payments based on the current percentage curves. This valuation did not differ from the carrying amount, due to the above, the Bank did not make an adjustment to fair value

In addition, the Bank recognized deferred tax assets in the amount of thousand PLN 19 706 in connection with the acquired assets and liabilities.

The initial fair value of acquired assets and liabilities at the acquisition date are presented below:

Assets	Fair value of acquired assets
Cash	21 040
Loans and advances to customers*	143 310
Receivables from Kasa Krajowa	40 283
Fixed assets	6 676
Other assets	22 256
Total assets	233 565

*Book value of loans and advances to customers amounted to thousand PLN 137 218 while the adjustment for fair value amounted to thousand PLN 6 254.

Liabilities	Fair value of acquired liabilities
Liabilities due to customers guaranteed by BFG	319 796
Provision	13 190
Other liabilities	2 808
Total liabilities	335 794
Identifiable net assets	-102 229
Subsidy from BGF	110 000
Negative goodwill	7 771

Bank made the initial accounting for this business combination and calculated bargain purchase in connection with the acquisition of SKOK Jaworzno. This result was presented in other operating income.

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

Extension of the authorization to use the AMA application by the Bank

On 14 February 2019 the Bank received clearance from the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) for the material extension and joint application of:

- AMA (Advanced Measurement Approach) – with respect to the activities of Alior Bank SA taking into account the historical effects of Bank BPH SA's operations in the scope of the acquired part (BPH Core) excluding the branch in Romania;
- Standardized approach for the branch in Romania;

for the purpose of calculating the requirements with respect to own funds from operational risk effective from 14 February 2019.

Synthetic securitisation transaction

On 7 December 2018, the Bank entered into an agreement to carry out synthetic securitisation of its business loan portfolio for PLN 1.5 billion with the European Investment Fund and the European Investment Bank as a co-guarantor, as a result of the transaction, the Bank's potential in further financing of SMEs will be increased. The transaction was split into three tranches: junior, mezzanine and senior, where the risk of the junior tranche remains with Alior Bank, while the risk of the mezzanine and senior tranches is transferred to EIF and EIB.

This is the first transaction of the type in Poland carried out in line with the European CRR Regulation (Capital Requirements Regulation).

On 7 June 2019, after completing additional covenants to the European Investment Bank, the Bank officially launched a securitization transaction. The final value of the portfolio as at 7 June 2019 securitized is PLN 1 029 million.

Under the securitization agreement, the Bank has the right to top up the depreciated part of the portfolio (replenishment) within 3 years starting from 7 June 2019.

Signing of the agreement regarding the terms of transaction concerning RUCH SA in restructuring

On 11 April 2019 the agreement regarding the terms of transaction between the Alior Bank, Polski Koncern Naftowy Orlen SA and Powszechny Zakład Ubezpieczeń SA concerning RUCH SA in restructuring was signed. Pursuant to the provisions of the agreement, the Bank intends (in a manner agreed between the Bank and PKN Orlen upon final validation of the arrangement under accelerated arrangement proceedings) to acquire 100% of shares in the share capital of the RUCH SA, and then sell the shares to PKN Orlen.

The Bank intends to acquire ownership of the Shares in a manner agreed between the Bank and PKN Orlen, while the takeover will take place. The acquisition of the RUCH SA shares by PKN Orlen will take place after the conditions provided in the agreement have been met, i.e., among others:

1. final confirmation of execution of the arrangements under accelerated arrangement proceedings of the RUCH SA,
2. obtaining by the parties to the Agreement corporate approvals and
3. issuing by the President of the Office of Competition and Consumer Protection or by the European Commission a consent for purchase of shares by PKN Orlen.

On 29 May 2019, the Bank received information of not approving by the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Department for bankruptcy and restructuring, the agreements adopted by the creditors under the accelerated arrangement proceedings of RUCH Spółka Akcyjna in restructuring for procedural reasons in connection with formal issues. In connection with the above, the company (RUCH SA) filed complaints against these decision, the files with complaints were forwarded to the Court of second instance.

Management Board of the Bank maintains its opinion that the restructuring scenario is the most advantageous. On 30 August 2019, Bank received information of approving by the Regional Court in Warsaw, Commercial Court, XXIII Commercial Division of Appeal, of partial agreements assuming redemption proposals as follows:

1. 85% of claims under accelerated arrangement proceedings of RUCH Spółka Akcyjna in restructuring ("the Company"), including publishers who are creditors of the Company, towards which the Company's debt was at least one million PLN as at the date of opening the proceedings ("PPU1") and
2. 50% of claims under accelerated arrangement proceedings of the Company, including publishers who are creditors of the Company, towards which the Company's debt was over one hundred thousand PLN as at the day of opening the proceedings ("PPU2").

Opening of the Long-Term Bond Issue Program of Alior Bank SA

On 5 August 2019 the Supervisory Board of the Bank, in accordance with the motion of the Bank's Management Board, agreed to open the Long-Term Bond Issue Program of Alior Bank S.A. and authorized the Bank's Management Board to repeatedly incur financial liabilities under the Program by issuing unsecured bonds by the Bank. The total nominal value of the Program will not exceed PLN 5 000 000 000.

In addition, the Bank's Supervisory Board, in line with the Bank's Management Board's request, also agreed to close the Bank's bond issue program established by resolution no. 253/2015 of the Bank's Management Board dated 29 July 2015 and approved by resolution no. 54/2015 of the Bank's Supervisory Board of 10 August 2015.

Opening of the Second Issue Program of Bank Securities of Alior Bank SA

On 30 September 2019, Bank's Supervisory Board, in accordance with the request of the Bank's Management Board, agreed to the opening of the Second Issue Program of Bank Securities of Alior Bank SA and authorized the Management Board of the Bank to repeatedly incur financial liabilities under the Program through the issue of Bank Securities by the Bank with a nominal value of at least PLN 100 or the equivalent in other currencies. The total nominal value of the Program will not exceed PLN 5 000 000 000.

Early redemption of C series bonds

The Management Board of Alior Bank SA on 4 October 2019, adopted a resolution on the early redemption of C series own bonds, on 21 October 2014, of C series own bonds, total nominal value of PLN 80 000 000 issued in 21 October 2014 by Meritum Bank ICB SA (currently Alior Bank SA), whose final maturity date is 21 October 2022.

Judgment of the Court of Justice of the European Union ('TSUE') of 11 September 2019

On 11 September 2019, the TSUE judgment in case C-383/18 (so-called Lexitor case) was published. In deciding the case, the TSUE ruled that Article 16 (1) 1 of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements and repealing Council Directive 87/102 / EEC should be interpreted as meaning that the consumer's right to reduce the total cost of credit in the event of an earlier loan repayment includes all costs that have been imposed on the consumer.

The Court has clearly determined that with a prepayment the consumer is entitled to a reduction of all costs included in the total cost of the loan. However, this judgment did not indicate how to calculate such a reduction in relation to one-off costs, such as commissions and preparation fees.

The formula for settling loans with borrowers approved by the President of UOKiK and the Financial Ombudsman is the so-called a linear formula that proportionality refers to the period between the actual repayment date of the loan and the repayment date specified in the contract and requires that the one-off cost be equally divided over individual payment periods. However, due to the lack of legal regulations, this practice may vary.

In connection with the judgment of the TSUE, the Group estimated the expected reimbursement of credit costs in the amount of PLN 102 374 thousand for which created a provision as at 30 September 2019.

The amount of this provision is the best possible estimate of the Management Board based on historical data on earlier repayments of consumer loans and on the observed historical number of complaints regarding the proportional refund of commissions received by the Bank, including after the judgment of the TSUE, as well as taking into account expectations regarding trends regarding the level of future complaints.

However, the mentioned above estimation is a subject to a significant level of uncertainty resulting from the difficult to estimate variability of observed trends regarding the level of complaints reported.

The Group monitors the number of complaints received by the Bank on an ongoing basis regarding the proportionate commission refund. Should the future trends differ significantly from the currently assumed estimates, the amount of the provision presented in this report may change.

Judgment of the Court of Justice of the European Union ('TSUE') of 3 October 2019

On 3 October 2019, the TSUE judgment in case C260/18 was published. This judgment contains answers (legal interpretations) to questions asked by a Polish court. These questions were formulated in connection with the analysis by the Polish court of a case brought by the client against Raiffeisen regarding its credit agreement indexed to CHF. In accordance with applicable rules, interpretative guidelines of the TSUE should be taken into account by national courts when deciding on cases. These interpretations, addressing important issues for the assessment of national courts, focus on issues related to the effects that may apply to contracts in the event that the court will recognize existence of abusive clauses in that contract. Alior Bank, after analyzing the theses contained in the TSUE's judgment and reviewing the portfolio of indexed loans, does not see a significant risk of its negative impact on the Bank's result.

37. Significant events after the end of the reporting period

Annulment of the decision of the Polish Financial Supervision Authority regarding the identification of Alior Bank SA as other systemically important institution and imposing a buffer on other systemically important institution

On 14 October 2019, Polish Financial Supervision Authority, as a result of the review of the adequacy of the buffer ratio of other systemically important institution, entirely repeals its decision of 31 July 2018, identifying the Bank as other systemically important institution and imposing on the Bank a buffer (on an individual and consolidated basis) of other systemically important institution in the amount equivalent to 0.25% of the total risk exposure amount, calculated in accordance with art. 92 (3) of the EU CRR Regulation (No. 575/2013).

New shareholder in the consortium of Polski Standard Płatności

On 15 October 2019, an agreement was signed on joining the bank's consortium of a new shareholder of the Polski Standard Płatności (PSP), i.e. Mastercard. After finalizing this transaction, Alior Bank will analyze the impact of the above-mentioned conditions transactions for the valuation of owned PSP shares.

38. Financial forecast

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

39. Factors that may affect results in the next quarters

The Bank identifies the following factors that may affect the Bank's financial results in the perspective of the following quarters:

- the policy of the Monetary Policy Council regarding the level of interest rates,
- ongoing consolidation and restructuring processes of the banking sector,
- amount of regulatory contributions including including the Bank Guarantee Fund, Borrowers Support Fund,
- regulatory and judicial changes in connection with judgments of the TSUE affecting the Bank's business activities,
- development of the offer of banking services by non-regulated entities,
- the scale of demand for banking services, as well as the ability of the Bank's customers to repay their financial obligations in a timely manner depends largely on their financial condition. In addition to the macroeconomic situation of the country, the economic situation of many customer groups also depends on the economic policy pursued. Both the slowdown in the growth rate of the Polish economy and the change in the legal regulations on the functioning of enterprises may have a negative impact on the financial position of selected customers of the Bank.



Interim condensed separate
financial statements
of Alior Bank Spółka Akcyjna
for the third quarter of 2019

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

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated*	01.01.2018 - 30.09.2018 Restated*
Interest income	987 572	2 987 428	954 831	2 811 443
Income of a similar nature	47 366	122 437	38 463	125 716
Interest expense	-223 560	-655 225	-213 047	-650 406
Net interest income	811 378	2 454 640	780 247	2 286 753
Fee and commission income	277 589	784 889	268 537	776 484
Fee and commission expense	-129 214	-346 925	-100 573	-276 478
Net fee and commission income	148 375	437 964	167 964	500 006
Dividend income	84	7 275	7 371	7 465
The result on financial assets measured at fair value through profit or loss and FX result	15 299	48 616	28 715	81 435
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7 371	29 131	7 658	40 452
measured at fair value through other comprehensive income	6 998	21 700	7 320	39 432
measured at amortized cost	373	7 431	338	1 020
Other operating income	30 301	83 677	12 943	67 021
Other operating expenses	-76 355	-123 565	-35 645	-81 573
Net other operating income and expenses	-46 054	-39 888	-22 702	-14 552
General administrative expenses	-345 349	-1 198 389	-387 668	-1 238 325
Net expected credit losses, impairment allowances and write-downs	-314 629	-1 082 343	-266 714	-745 190
Banking tax	-59 005	-169 206	-52 270	-155 171
Gross profit	217 470	487 800	262 601	762 873
Income tax	-82 639	-185 364	-73 177	-212 586
Net profit	134 831	302 436	189 424	550 287
Weighted average number of ordinary shares	130 553 991	130 553 991	130 518 716	129 856 463
Net profit per share (PLN)	1.03	2.32	1.45	4.24
Diluted profit per ordinary share (PLN)	1.02	2.30	1.44	4.20

*clarification in note 3

Interim condensed consolidated statement of comprehensive income

	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019	01.07.2018 - 30.09.2018 Restated*	01.01.2018 - 30.09.2018 Restated*
Net profit	134 831	302 436	189 424	550 287
Items that may be reclassified to the income statement after certain conditions are satisfied	10 388	20 625	-17 111	21 940
Foreign currency translation differences	-450	-139	224	-600
Results of the measurement of financial assets (net)	2 825	-6 385	-11 402	9 458
profit/loss on valuation of financial assets measured at fair value through other comprehensive income	3 488	-7 883	-14 076	12 054
deferred tax	-663	1 498	2 674	-2 596
Results on the measurement of hedging instruments (net)	8 013	27 149	-5 933	13 082
gains/losses on hedging instruments	9 892	33 517	-7 325	16 150
deferred tax	-1 879	-6 368	1 392	-3 068
Total comprehensive income, net	145 219	323 061	172 313	572 227

*clarification in note 3

The notes presented on pages 56-60 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of financial position

ASSETS	30.09.2019	31.12.2018
Cash and balances with the Central Bank	946 753	1 639 033
Amounts due from banks	2 932 137	611 436
Financial assets:	12 707 488	13 727 570
measured at fair value through other comprehensive income	6 950 111	7 280 080
measured at fair value through profit or loss	681 790	515 138
measured at amortized cost	5 075 587	5 932 352
Derivative hedging instruments	135 182	112 400
Loans and advances to customers	56 383 784	54 239 172
Assets pledged as collateral	357 652	333 286
Property, plant and equipment	771 929	450 404
Intangible assets	527 553	528 501
Investments in subsidiaries and associates	202 881	158 681
Non-current assets held for sale	103	146
Income tax asset	968 906	924 383
deferred tax assets	968 906	924 383
Other assets	643 162	517 883
TOTAL ASSETS	76 577 530	73 242 895
LIABILITIES AND EQUITY	30.09.2019	31.12.2018
Amounts due to banks	522 400	473 842
Amounts due to customers	64 761 564	62 427 865
Financial liabilities measured at fair value through profit or loss	520 149	416 407
Derivative hedging instruments	46 356	9 381
Provisions	119 849	126 172
Other liabilities	1 757 446	1 111 457
Income tax liabilities	47 444	208 854
current tax liabilities	47 444	208 854
Subordinated liabilities	1 928 437	1 918 093
Total liabilities	69 703 645	66 692 071
Share capital	1 305 540	1 305 540
Supplementary capital	5 388 926	5 382 819
Revaluation reserve	72 928	52 164
Other reserves	184 284	184 284
Foreign currency translation differences	-341	-202
Accumulated losses	-379 888	-1 104 855
Profit for the period	302 436	731 074
Equity	6 873 885	6 550 824
TOTAL LIABILITIES AND EQUITY	76 577 530	73 242 895

The notes presented on pages 56-60 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of changes in equity

01.01.2019 – 30.09.2019	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2019	1 305 540	5 382 819	184 284	52 164	-202	-373 781	6 550 824
transfer of the previous year result	0	6 107	0	0	0	-6 107	0
Comprehensive income	0	0	0	20 764	-139	302 436	323 061
net profit	0	0	0	0	0	302 436	302 436
other comprehensive income – valuations	0	0	0	20 764	-139	0	20 625
financial assets measured at fair value through other comprehensive income	0	0	0	-6 385	0	0	-6 385
hedging instruments	0	0	0	27 149	0	0	27 149
currency translation differences	0	0	0	0	-139	0	-139
30 September 2019	1 305 540	5 388 926	184 284	72 928	-341	-77 452	6 873 885

01.01.2018- 31.12.2018	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	424 978	6 734 377
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 033 989	-1 023 360
Transfer of last year's profit	0	495 844	0	0	0	-495 844	0
Comprehensive income	0	0	0	27 591	-796	731 074	757 869
net profit	0	0	0	0	0	731 074	731 074
other comprehensive income – valuations	0	0	0	27 591	-796	0	26 795
financial assets measured at fair value through other comprehensive income	0	0	0	-6 658	0	0	-6 658
hedging instruments	0	0	0	34 249	0	0	34 249
currency translation differences	0	0	0	0	-796	0	-796
Share issue	12 904	69 644	0	0	0	0	82 548
Other changes in equity	0	0	-610	0	0	0	-610
31 December 2018	1 305 540	5 382 819	184 284	52 164	-202	-373 781	6 550 824

01.01.2018- 30.09.2018 Restated*	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	424 978	6 734 377
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 033 989	-1 023 360
Transfer of last year's profit	0	495 844	0	0	0	-495 844	0
Comprehensive income	0	0	0	22 540	-600	550 287	572 227
net profit	0	0	0	0	0	550 287	550 287
other comprehensive income – valuations	0	0	0	22 540	-600	0	21 940
financial assets measured at fair value through other comprehensive income	0	0	0	9 458	0	0	9 458
hedging instruments	0	0	0	13 082	0	0	13 082
currency translation differences	0	0	0	0	-600	0	-600
Share issue	12 551	67 820	2 190	0	0	0	82 561
30 September 2018	1 305 187	5 380 995	187 084	47 113	-6	-554 568	6 365 805

*clarification in note 3

The notes presented on pages 56-60 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of cash flows

	01.01.2019 - 31.09.2019	01.01.2018 - 30.09.2018 Restated*
Operating activities		
Profit before tax for the year	487 800	762 873
Adjustments:	175 972	143 021
Unrealized foreign exchange gains/losses	1 533	1 544
Amortization/depreciation of tangible and intangible assets and lease	174 000	130 845
Change in impairment loss of tangible fixed and intangible assets	1 682	3 167
Dividends	7 275	7 465
Short-term lease contracts	-8 518	n/a
Gross profit after adjustments and before changing balances	663 772	905 894
Change in loans and receivables	-4 288 212	-2 759 386
Change in financial assets measured at fair value through other comprehensive income	329 969	2 906 158
Change in financial assets measured at fair value through profit or loss	-166 652	-164 290
Change in financial assets measured at amortized cost	856 765	-1 219 104
Change in assets pledged as collateral	-24 366	67 400
Change in hedging asset derivatives	-22 782	35 845
Change in non-current assets held for sale	43	176
Change in other assets	-125 279	208 375
Change in deposits	2 670 645	2 264 356
Change in issued debt	-190 596	-123 273
Change in financial liabilities held for trading	103 742	78 953
Change in hedging liabilities derivative	36 975	-1 355
Change in other liabilities and other comprehensive income	286 473	-596 679
Change in provisions	-6 323	109 747
Net cash flow from operating activities before income tax	124 174	1 712 817
Income tax paid	-374 928	-287 312
Net cash flow from operating activities	-250 754	1 425 505
Investing activities		
Outflows:	-162 164	-150 907
Purchase of property, plant and equipment	-78 717	-52 249
Purchase of intangible assets	-39 247	-54 002
Investments in subsidiaries	-44 200	-44 656
Inflows:	9 906	428
Disposal of tangible fixed assets	9 906	428
Net cash flow from investing activities	-152 258	-150 479
Financing activities		
Outflows:	-121 913	-70 184
Interest expense – subordinated loan	-61 149	-70 184
Payments of lease liabilities - capital	-43 447	n/a
Payments of lease liabilities - interest	-17 317	n/a
Inflows:	0	12 551
Inflows from share issue	0	12 551
Net cash flow from financing activities	-121 913	-57 633
Total net cash flow	-524 925	1 217 393
incl. exchange gains/(losses)	27 054	19 841
Balance sheet change in cash and cash equivalents	-524 925	1 217 393
Cash and cash equivalents, opening balance	2 077 630	1 611 714
Cash and cash equivalents, closing balance	1 552 705	2 829 107
Additional disclosures on operating cash flows		
Interests received	3 499 087	3 132 113
Interests paid	-606 127	-686 718

*clarification in note 3

The notes presented on pages 56-60 constitute an integral part of these interim condensed consolidated financial statements.

1. Basis for preparation

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the third quarter of 2019 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 2019 to 30 September 2019, and interim condensed separate statement of financial position as at 30 September 2019 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 2019.

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise the data concerning the Bank and cover the period of nine months ended on 30 September 2019 and contain comparative data for the period of nine months ended 30 September 2018 (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 2018 (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.

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 30 September 2019.

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 2018, published on 28 February 2019 and available on the Alior Banku SA website. Changes in accounting principles effective from 1 January 2019 were presented in the interim condensed consolidated financial statements in Note 2.2.

3. Changes in presentation included in this report as at 30 September 2019 and restatement of comparative data and explanation of differences in relation to previously published financial statements

- Result on significant modification (change I)

Presentation of the result on significant modification were changed in order to better reflect the economic character of those transactions.

- Recoveries from loans and advances (change II)

The presentation of recoveries from loans and advances to customers transferred to off-balance sheet has been changed too. The recoveries will be presented in line Net expected credit losses, impairment allowances and write-downs, due to the fact that the transfers to off-balance are made regularly and they are a part of the Bank's operation for the management of non-performing receivables.

- Expected credit losses on assets measured at amortized cost due (change III)

Alior Bank made changes in level of expected credit losses on assets measured at amortized cost due to the development of the methodology of considering future macroeconomic and economic factors (so-called forward-looking-information, FLI). These changes were made in the 4th quarter of 2018 and are related to the implementation of IFRS 9.

The changes concern:

- expansion in the portfolio definition methodology with a significant deterioration of the credit quality from the initial recognition (ie Transfer Logic for Stage 2) of component depended on losses expected from macroeconomic changes expected in the future; this component, in a situation of expected economic slowdown in the future, results in maintaining an increased level of Stage 2 participation ensuring its anticyclical character;
- taking account in LGD models (expected level of assets in default losses): macroeconomic scenarios affecting the collateral recovery component (regarding real estate prices and recovery structures), the cure rate component of retail customers and the regulatory minimum loss level for assets in default.

- Realized margin on foreign exchange transactions (change IV)

Bank changed the presentation regarding the realized margin on foreign exchange transactions in earlier periods was presented in the Result on instruments measured at fair value through profit and loss and trading result currently in the Net fee and commission income.

- Income tax (change V)

The Bank changed the rules of recognizing the charges due to income tax. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Income statement	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
Net interest income	2 284 338	2 415	0	0	0	0	2 286 753
Net fee and commission income	294 774	1 861	0	0	203 371	0	500 006
The result on financial assets measured at fair value through profit or loss and FX result (trading)	284 806	0	0	0	-203 371	0	81 435
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	44 728	-4 276	0	0	0	0	40 452
Net other operating income and expenses	-9 217	0	-5 335	0	0	0	-14 552
Net expected credit losses, impairment allowances and write-downs	-743 298	0	5 335	-7 227	0	0	-745 190
Gross profit	770 100	0	0	-7 227	0	0	762 873
Income tax	-216 570	0	0	1 373	0	2 611	-212 586
Net profit	553 530	0	0	-5 854	0	2 611	550 287

Statement of cash flows	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
Profit before tax	770 100	0	0	-7 227	0	0	762 873
Change in loans and receivables	-3 006 291	0	0	246 905	0	0	-2 759 386
Change in other liabilities and other comprehensive income	-352 622	0	0	-244 057	0	0	-596 679
Change in provisions	105 368	0	0	4 379	0	0	109 747

Statement of changes in equity	01.01.2018 – 30.09.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.09.2018 Restated
IFRS 9 impact and other changes	-823 632	0	0	-199 728	0	0	-1 023 360
Profit for the period	553 530	0	0	-5 854	0	2 611	550 287
Equity at the end of the period	6 568 776	0	0	-205 582	0	2 611	6 365 805

4. Off-balance-sheet items

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

5. 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:

Bank's subsidiaries and associate as at 30 September 2019 and the date of this report was as follows:

Company's name – subsidiaries	04.11.2019	30.09.2019	31.12.2018
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%	100%
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.*	100%	100%	-
- <i>PayPo sp. z o.o.**</i>	20%	20%	-
RBL_VC sp. z o.o.***	100%	-	-

*On 4 February 2019, Alior Bank SA acquired 100 shares in Corsham sp. z o.o. with a nominal value of PLN 50 each, all consisting 100% of the share capital. The purchase price of the company was of PLN 11 696.30. On 28 March 2019, Corsham sp. z o.o. acquired shares in the company PayPo sp. o.o.

*** On 23 October 2019, Alior Bank SA acquired 100 shares of RBL_VC sp. z o.o. with a nominal value of PLN 50 each, with a total nominal value of PLN 5,000 and covered them with a cash contribution.

Company's name – associate	30.09.2019	31.12.2018
PayPo sp. z o.o. / GTR Finance sp. z o.o. *	-	20%

**On 4 January 2019 year the Management Board of GTR Finance sp. z o.o. informed about registration in the National Court Register of amendments to the Company Agreement made pursuant to the resolution of the Extraordinary General Meeting of the Shareholders of 7 November 2018. Changes included the Company's name from GTR Finance spółka z ograniczoną odpowiedzialnością to PayPo spółka z ograniczoną odpowiedzialnością.

Subsidiaries	30.09.2019	31.12.2018
Assets		
Loans and advances to customers	1 266 671	1 540 046
Other assets	1 065	1 484
Total assets	1 267 736	1 541 530
Liabilities		

Amounts due to customers	59 035	57 427
Provisions	187	27
Other liabilities	3 087	3 723
Total liabilities	62 309	61 177

Subsidiaries	30.09.2019	31.12.2018
Off-balance sheet liabilities granted to customers	284 945	270 537
relating to financing	103 550	92 194
guarantees	181 395	178 343

Subsidiaries	01.01.2019 – 30.09.2019	01.01.2018 – 30.09.2018
Interest income	42 652	30 333
Interest expense	-207	-78
Fee and commission income	2 365	2 978
Fee and commission expense	-328	-258
Dividend income	7 018	7 322
Other operating income	1 012	381
Other operating costs	-1	0
General administrative expenses	-4 677	-4 522
Net expected credit losses, impairment allowances and write-downs	242	6 782
Total	48 076	42 938

6. Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 37 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.

7. Events significant to the business operations of the Bank

Judgment of the Court of Justice of the European Union ('TSUE') of 11 September 2019

On 11 September 2019, the TSUE judgment in case C-383/18 (so-called Lexitor case) was published. In deciding the case, the TSUE ruled that Article 16 (1) 1 of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements and repealing Council Directive 87/102 / EEC should be interpreted as meaning that the consumer's right to reduce the total cost of credit in the event of an earlier loan repayment includes all costs that have been imposed on the consumer.

The Court has clearly determined that with a prepayment the consumer is entitled to a reduction of all costs included in the total cost of the loan. However, this judgment did not indicate how to calculate such a reduction in relation to one-off costs, such as commissions and preparation fees.

The formula for settling loans with borrowers approved by the President of UOKiK and the Financial Ombudsman is the so-called a linear formula that proportionality refers to the period between the actual repayment date of the loan and the repayment date specified in the contract and requires that the one-off cost be equally divided over individual payment periods. However, due to the lack of legal regulations, this practice may vary.

In connection with the judgment of the TSUE, the Bank estimated the expected reimbursement of credit costs in the amount of PLN 102 374 thousand for which created a provision as at 30 September 2019.

The amount of this provision is the best possible estimate of the Management Board based on historical data on earlier repayments of consumer loans and on the observed historical number of complaints regarding the proportional refund of commissions received by the Bank, including after the judgment of the TSUE, as well as taking into account expectations regarding trends regarding the level of future complaints.

However, the mentioned above estimation is a subject to a significant level of uncertainty resulting from the difficult to estimate variability of observed trends regarding the level of complaints reported.

The Bank monitors the number of complaints received by the Bank on an ongoing basis regarding the proportionate commission refund. Should the future trends differ significantly from the currently assumed estimates, the amount of the provision presented in this report may change.

Other significant events to the business operations of the Bank are described in Note 36 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.