



Financial report  
of the Alior Bank Spółka Akcyjna Group  
for the third quarter of 2017

## Selected financial data

	in PLN'000		
	01.01.2017 - 30.09.2017	01.01.2016 - 31.12.2016	% (A-B)/B
	A	B	C
Loans and advances to customers	50 099 527	46 247 188	8.3%
Zobowiązania wobec klientów	54 731 530	51 368 701	6.5%
Total equity	6 607 612	6 159 862	7.3%
Total assets	65 039 212	61 160 491	6.3%

	in PLN'000		
	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	% (A-B)/B
	A	B	C
Net interest income	2 104 158	1 347 177	56.2%
Net fee and commission income	338 136	239 580	41.1%
Trading result & other	304 817	244 305	24.8%
Net impairment allowance and write-downs	-679 658	-547 863	24.1%
General administrative expenses	-1 396 112	-860 938	62.2%
Profit before tax	521 966	334 651	56.0%
Net profit	372 349	248 673	49.7%
Total net cash flow	627 526	-410 564	-252.8%
<b>Ratios</b>			
Earnings per share	2,88	2,67	7.9%
Capital adequacy ratio	14.06%	16.05%	-12.4%
Tier 1	12.02%	13.39%	-10.2%

	in EUR'000		
	01.01.2017 - 30.09.2017	1.01.2016 - 31.12.2016	% (A-B)/B
	A	B	C
Loans and advances to customers	11 626 448	10 453 704	11.2%
Zobowiązania wobec klientów	12 701 383	11 611 370	9.4%
Total equity	1 533 409	1 392 374	10.1%
Total assets	15 093 456	13 824 704	9.2%

	in EUR'000		
	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	% (A-B)/B
	A	B	C
Net interest income	494 328	308 363	60.3%
Net fee and commission income	79 438	54 839	44.9%
Trading result & other	71 610	55 920	28.1%
Net impairment allowance and write-downs	-159 672	-125 404	27.3%
General administrative expenses	-327 988	-197 065	66.4%
Profit before tax	122 625	76 600	60.1%
Net profit	87 476	56 920	53.7%
Total net cash flow	147 424	-93 976	-256.9%
<b>Ratios</b>			
Earnings per share	0.68	0.61	10.7%
Capital adequacy ratio	14.06%	16.05%	-12.4%
Tier 1	12.02%	13.39%	-10.2%

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

a) as at 30.09.2017

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.09.2017 - 4.3091;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.2566;

b) as at 31.12.2016

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

b) as at 30.09.2016

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.09.2016 - 4.3120;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.3688



Interim condensed consolidated  
financial statements  
of the Alior Bank Spółka Akcyjna Group  
for the third quarter of 2017

*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	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
Interest income		903 610	2 663 640	655 890	1 848 023
Interest expense		-179 801	-559 482	-165 380	-500 846
<b>Net interest income</b>	<b>4</b>	<b>723 809</b>	<b>2 104 158</b>	<b>490 510</b>	<b>1 347 177</b>
<b>Dividend income</b>		<b>25</b>	<b>27</b>	<b>17</b>	<b>51</b>
Fee and commission income		207 265	611 366	135 490	410 594
Fee and commission expense		-104 094	-273 230	-59 329	-171 014
<b>Net fee and commission income</b>	<b>5</b>	<b>103 171</b>	<b>338 136</b>	<b>76 161</b>	<b>239 580</b>
<b>Trading result</b>	<b>6</b>	<b>97 217</b>	<b>268 800</b>	<b>78 177</b>	<b>209 313</b>
<b>Net gain (realized) on other financial instruments</b>	<b>7</b>	<b>814</b>	<b>1 980</b>	<b>214</b>	<b>20 980</b>
Other operating income		27 635	88 009	16 342	50 062
Other operating costs		-21 877	-53 999	-13 039	-36 101
<b>Net other operating income</b>	<b>8</b>	<b>5 758</b>	<b>34 010</b>	<b>3 303</b>	<b>13 961</b>
<b>General administrative expenses</b>	<b>9</b>	<b>-404 072</b>	<b>-1 396 112</b>	<b>-297 109</b>	<b>-860 938</b>
<b>Impairment losses &amp; provisions</b>	<b>10</b>	<b>-211 959</b>	<b>-679 658</b>	<b>-199 006</b>	<b>-547 863</b>
<b>Bank tax</b>		<b>-50 647</b>	<b>-149 375</b>	<b>-34 680</b>	<b>-87 610</b>
<b>Profit before tax</b>		<b>264 116</b>	<b>521 966</b>	<b>117 587</b>	<b>334 651</b>
Income tax	11	-74 151	-149 617	-30 650	-85 978
<b>Net profit from continuing operations</b>		<b>189 965</b>	<b>372 349</b>	<b>86 937</b>	<b>248 673</b>
Net profit attributable to equity holders of the parent		189 875	372 186	86 939	248 827
Net profit attributable to non-controlling interests		90	163	-2	-154
<b>Net profit</b>		<b>189 965</b>	<b>372 349</b>	<b>86 937</b>	<b>248 673</b>
<b>Weighted average number of ordinary shares</b>		<b>129 259 802</b>	<b>129 258 450</b>	<b>129 257 712</b>	<b>93 139 852</b>
<b>Basic earnings per share (in PLN)</b>	<b>12</b>	<b>1.47</b>	<b>2.88</b>	<b>0.67</b>	<b>2.67</b>
<b>Diluted earnings per share (in PLN)</b>	<b>12</b>	<b>1.44</b>	<b>2.82</b>	<b>0.66</b>	<b>2.60</b>

## Interim condensed consolidated statement of comprehensive income

	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
<b>Net profit</b>	<b>189 965</b>	<b>372 349</b>	<b>86 937</b>	<b>248 673</b>
<b>Taxable other comprehensive income to be credited to the net profit / (loss) after the required conditions have been satisfied</b>	<b>34 853</b>	<b>75 206</b>	<b>-10 578</b>	<b>-29 073</b>
Foreign operations currency translation differences	-52	25	16	16
Results of the measurement of financial assets available for sale (net)	30 912	65 495	-3 604	-11 467
Profit/loss on valuation of financial assets available for sale	37 517	79 887	-4 450	-14 157
Deferred tax	-6 605	-14 392	846	2 690
Results of the measurement of hedging instruments (net)	3 993	9 686	-6 990	-17 622
Profit/loss on valuation of hedging instruments	4 767	11 411	-8 630	-21 756
Deferred tax	-774	-1 725	1 640	4 134
<b>Total comprehensive income, net</b>	<b>224 818</b>	<b>447 555</b>	<b>76 359</b>	<b>219 600</b>
- attributable to shareholders of the parent company	224 757	447 465	76 361	219 754
- attributable to non-controlling interests	90	163	-2	-154

The notes presented on pages 9-46 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of financial position

ASSETS	Note	30.09.2017	31.12.2016 restated*
Cash and balances with the Central Bank	13	1 780 022	1 082 991
Financial assets held for trading	23	480 704	419 551
Available-for-sale financial assets	14	8 880 108	9 374 646
Investment securities held to maturity	14	0	1 954
Hedging derivatives		75 123	71 684
Amounts due from banks	16	890 442	1 366 316
Loans and advances to customers	15	50 099 527	46 247 188
Assets pledged as collateral	18	561 815	366 984
<i>including: pledged in Repo</i>		194 685	29 783
Property, plant and equipment		449 762	485 796
Intangible assets		524 761	516 444
Non-current asset held for sale		434	679
Income tax asset		543 433	540 262
<i>Deferred</i>		543 433	540 262
Other assets	17	753 081	685 996
<b>TOTAL ASSETS</b>		<b>65 039 212</b>	<b>61 160 491</b>

LIABILITIES AND EQUITY	Note	30.09.2017	As at 31.12.2016 restated
Financial liabilities held for trading	23	403 995	298 314
Amounts due to banks	20	714 507	428 640
Amounts due to customers	19	54 731 530	51 368 701
Derivative hedging instruments		4 713	6 119
Provisions	21	122 410	286 815
Other liabilities	22	1 235 963	1 433 301
Income tax liabilities		48 722	13 945
<i>Current</i>		46 448	13 190
<i>Deferred</i>		2 274	755
Subordinated loans	24	1 169 760	1 164 794
<b>Total liabilities</b>		<b>58 431 600</b>	<b>55 000 629</b>
<b>Equity</b>		<b>6 607 612</b>	<b>6 159 862</b>
<b>Equity attributable to equity holders of the parent</b>		<b>6 606 503</b>	<b>6 158 883</b>
Share capital		1 292 578	1 292 578
Supplementary capital		4 820 048	4 185 843
Revaluation reserve		3 566	-71 615
Other reserves		183 882	183 957
Foreign operations currency translation differences		3	-22
Undistributed result from previous years		-65 760	-7 085
Current year profit/loss		372 186	575 227
<b>Non-controlling interests</b>		<b>1 109</b>	<b>979</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>65 039 212</b>	<b>61 160 491</b>

\*details in Note 2.4

The notes presented on pages 9-46 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed statement of changes in consolidated equity

01.01.2017- 30.09.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign operations	Retained earnings	Non- controlling interests	Total equity
<b>1 January 2017</b>	<b>1 292 578</b>	<b>4 185 843</b>	<b>183 957</b>	<b>-71 615</b>	<b>-22</b>	<b>568 142</b>	<b>979</b>	<b>6 159 862</b>
Transfer of the previous year result	0	633 902	0	0	0	-633 902	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75 181</b>	<b>25</b>	<b>372 186</b>	<b>163</b>	<b>447 555</b>
net profit	0	0	0	0	0	372 186	163	372 349
other comprehensive income	0	0	0	75 181	25	0	0	75 206
<b>Other changes in equity</b>	<b>0</b>	<b>0</b>	<b>-133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-33</b>	<b>-166</b>
Share issue	0	303	58	0	0	0	0	361
<b>30 September 2017</b>	<b>1 292 578</b>	<b>4 820 048</b>	<b>183 882</b>	<b>3 566</b>	<b>3</b>	<b>306 426</b>	<b>1 109</b>	<b>6 607 612</b>

01.01.2016- 30.09.2016	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign operations	Retained earnings	Non- controlling interests	Total equity
<b>1 January 2016</b>	<b>727 075</b>	<b>2 279 843</b>	<b>184 735</b>	<b>15 215</b>	<b>0</b>	<b>305 991</b>	<b>1 240</b>	<b>3 514 099</b>
Transfer of the previous year result	0	312 016	0	0	0	-312 016	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-29 089</b>	<b>16</b>	<b>248 827</b>	<b>0</b>	<b>219 754</b>
net profit	0	0	0	0	0	248 827	0	248 827
other comprehensive income	0	0	0	-29 089	16	0	0	-29 073
<b>Other changes in equity</b>	<b>0</b>	<b>1 114</b>	<b>-932</b>	<b>0</b>	<b>0</b>	<b>-1 060</b>	<b>-255</b>	<b>-1 133</b>
Share issue	565 502	1 579 387	0	0	0	0	0	2 144 889
<b>30 September 2016</b>	<b>1 292 577</b>	<b>4 172 359</b>	<b>183 803</b>	<b>-13 874</b>	<b>16</b>	<b>241 742</b>	<b>985</b>	<b>5 877 608</b>

01.01.2016- 31.12.2016 (restated)*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign operations	Retained earnings	Non- controlling interests	Total equity
<b>1 January 2016</b>	<b>727 075</b>	<b>2 279 843</b>	<b>184 735</b>	<b>15 215</b>	<b>0</b>	<b>305 991</b>	<b>1 240</b>	<b>3 514 099</b>
Transfer of the previous year result	0	312 016	0	0	0	-312 016	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-86 830</b>	<b>-22</b>	<b>575 227</b>	<b>-201</b>	<b>488 174</b>
net profit	0	0	0	0	0	575 227	-201	575 026
other comprehensive income	0	0	0	-86 830	-22	0	0	-86 852
<b>Other changes in equity</b>	<b>565 503</b>	<b>1 592 870</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 158 373</b>
Share issue	0	1 114	-778	0	0	-1 060	-60	-784
<b>31 December 2016</b>	<b>1 292 578</b>	<b>4 185 843</b>	<b>183 957</b>	<b>-71 615</b>	<b>-22</b>	<b>568 142</b>	<b>979</b>	<b>6 159 862</b>

\*Details in note 2.4

The notes presented on pages 9-46 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of cash flows

	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
<b>Operating activities</b>		
<b>Profit before tax for the year</b>	<b>521 966</b>	<b>334 651</b>
<b>Adjustments:</b>	<b>2 642</b>	<b>86 409</b>
Unrealized foreign exchange gains/losses	4 991	804
Amortization/depreciation of tangible and intangible assets	146 511	70 669
Change in impairment loss of tangible fixed and intangible assets	15 620	14 611
Change in provisions	-164 405	1 257
Share-based payments	-75	-932
<b>The gross profit after adjustments but before increase/decrease in operating assets/liabilities</b>	<b>524 608</b>	<b>421 060</b>
Change in loans and receivables	-3 445 970	-4 138 372
Change in financial assets available for sale	494 538	-1 141 358
Change in financial assets held in maturity	1 954	0
Change in financial assets held for trading	-61 153	80 629
Change in assets pledged as collateral	-194 831	-379 572
Change in derivative hedging assets	-3 439	77 447
Change in non-current assets held for sale	245	281
Change in other assets	-216 702	93 146
Change in deposits	3 047 698	3 547 960
Change in issued debt	371 375	78 868
Change in financial liabilities held for trading	105 681	-77 614
Change in derivative hedging liabilities	-1 406	0
Change in other liabilities and other comprehensive income	151 618	350 579
<b>Cash from operating activities before income tax</b>	<b>774 216</b>	<b>-1 086 946</b>
Income tax paid	31 605	-184 593
<b>Net cash flow from operating activities</b>	<b>805 822</b>	<b>-1 271 539</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-173 264</b>	<b>-1 511 788</b>
Purchase of property, plant and equipment	-100 785	-24 350
Purchase of intangible assets	-72 479	-22 505
Prepayment for purchase of BPH's shares	0	-1 464 933
<b>Inflows:</b>	<b>38 877</b>	<b>4 037</b>
Dividend received	27	0
Disposal of tangible fixed assets	38 850	4 037
<b>Net cash flow from investing activities</b>	<b>-134 387</b>	<b>-1 507 751</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-43 909</b>	<b>-40 200</b>
Interest expense – subordinated liabilities	-43 909	-40 200
<b>Inflows:</b>	<b>0</b>	<b>2 408 926</b>
Subordinated liabilities incurred	0	264 087
Inflows from share issue	0	2 144 839
<b>Net cash flow from financing activities</b>	<b>-43 909</b>	<b>2 368 726</b>
<b>Total net cash flow</b>	<b>627 526</b>	<b>-410 564</b>
<b>incl. exchange gains/(losses)</b>	<b>-60 813</b>	<b>-10 874</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>627 526</b>	<b>-410 564</b>
Cash and cash equivalents, opening balance	1 709 243	2 202 212
Cash and cash equivalents, closing balance	2 336 769	1 791 648
<b>Additional disclosures on operating cash flows</b>		
Interests received	2 415 118	2 182 013
Interests paid	-509 493	-753 140

The notes presented on pages 9-46 constitute an integral part of these interim condensed consolidated financial statements.



## Notes to the interim condensed consolidated financial statements

### 1. Information about the Bank and the Group

#### 1.1 Overview

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

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

#### 1.2 Duration and scope of business activities

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

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

#### 1.3 Shareholders of Alior Bank Spółka Akcyjna

According to currently available information, as at 30 September 2017, the following shareholders held 5% or more of the total number of votes at the General Shareholders' Meeting:

Shareholder	Number of shares	Nominal value of shares [PLN]	Interest in share capital <sup>4</sup>	Number of votes	Share in total number of votes
PZU SA <sup>1</sup>	40 906 135	409 061 350	31,65%	40 906 135	31,65%
Aviva OFE Aviva BZ WBK <sup>2</sup>	11 562 000	115 620 000	8,94%	11 562 000	8,94%
Nationale-Nederlanden PTE SA <sup>3</sup>	6 592 823	65 928 230	5,10%	6 592 823	5,10%
Other shareholders	70 202 666	702 026 660	54,31%	70 202 666	54,31%
<b>Total</b>	<b>129 263 624</b>	<b>1 292 636 240</b>	<b>100%</b>	<b>129 263 624</b>	<b>100%</b>

<sup>(1)</sup> Based on Current Report dated on 10 July 2017

<sup>(2)</sup> Based on the number of shares registered at the Ordinary General Meeting held on 29 June 2017

<sup>(3)</sup> Based on Current Report dated on 10 August 2017

<sup>(4)</sup> Ordinary shares of D, E and F series with a total value amounting to PLN 58 610 until the date of publication of this report were not registered in the National Court Register

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

There was a change in the composition of the Bank's Management Board compared to the previous reporting period ended 30 June 2017. On 6 July 2017 Mr. Sylwester Grzebinoga was appointed by the Supervisory Board of Alior Bank to the position of Vice President of the Management Board, effective from 1 August 2017.

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

<b>Michał Jan Chyczewski</b>	<b>acting President of the Management Board</b>
Filip Gorczyca	Vice-President of the Management Board
Sylwester Grzebinoga	Vice-President of the Management Board
Urszula Krzyżanowska-Piękoś	Vice-President of the Management Board
Katarzyna Sułkowska	Vice-President of the Management Board
Celina Waleśkiewicz	Vice-President of the Management Board

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

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

There was a change in the composition of the Bank's Supervisory Board compared to the previous reporting period ended 30 June 2017.

The Supervisory Board appointed Mr. Eligiusz Krześniak as the of Chairman of the Supervisory Board of Alior Bank by resolution of 5 July 2017.

On 18 July 2017, Mr. Marek Michalski resigned from membership in the Bank's Supervisory Board, by effectively on the same date 2017.

On 29 September 2017, Mr. Eligiusz Krześniak announced his resignation from the position of the Chairman of the Supervisory Board of Alior Bank. Mr. Eligiusz Krześniak remained a Member of the Supervisory Board of Alior Bank SA until 31 October 2017, when he resigned from the membership in the Bank's Supervisory Board. The resignation was made prior to the commencement of the Extraordinary General Meeting and in accordance with Art. 369 § 5 of the Code of Commercial Partnerships and Companies, the mandate of Mr Eligiusz Krześniak expired on 31 October 2017.

On 29 September 2017, Mr. Tomasz Kulik was elected as thw new Chairman of the Supervisory Board of Alior Bank.

The Extraordinary General Meeting of the Bank convened for 31 October 2017, appointed Mr. Artur Kucharski and Mr. Mikołaj Handschke as Members of the Bank's Supervisory Board.

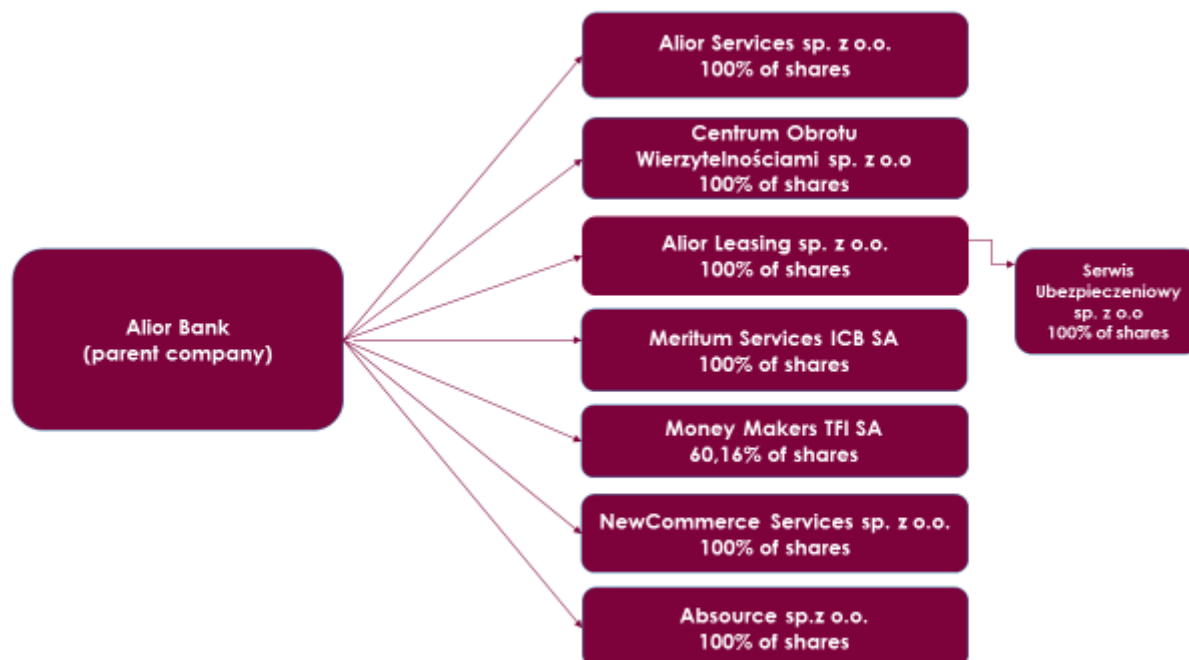
Composition of the Bank's Supervisory Board as at 30 September 2017:

<b>Tomasz Kulik</b>	<b>- Chairman of the Supervisory Board</b>
Małgorzata Iwanicz-Drozdowska	- Deputy Chairman of the Supervisory Board
Dariusz Gątarek	- Member of the Supervisory Board
Eligiusz Krześniak	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Maciej Rapkiewicz	- Member of the Supervisory Board
Paweł Szymański	- Member of the Supervisory Board

In accordance with the Bank's best knowledge, Members of the Supervisory Board of Alior Bank did not hold any of the Bank's shares as at 30 September 2017.

### 1.5 Information about the Alior Bank Group

Alior Bank SA is the parent company of Alior Bank Capital Group. The composition of the Group as at 30 September 2017 was as follows:



On 30 January 2017 Alior Leasing sp. z o.o. acquired 100% of shares of Serwis Ubezpieczeniowy sp. z o.o. On 1 March 2017, the District Court for Kraków-Śródmieście in Cracow, IX Business Department, entered into the register of entrepreneurs the change of the ownership of this company.

From 5 January 2017 Money Makers TFI SA is listed on the alternative market of the Warsaw Stock Exchange (NewConnect).

### 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 8 November 2017.

### 1.7 Seasonal or cyclical nature of operations

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

## 2. Accounting policies

### 2.1 Basis for preparation

#### Statement of compliance

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

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2016, which was approved by the General Shareholders' Meeting of Alior Bank SA on 29 June 2017.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2017 to 30 September 2017, and interim condensed consolidated statement of financial position as at 30 September 2017 including the comparatives have been prepared in accordance with the same accounting policies for each period.

### **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 2017.

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

## **2.2 Accounting principles**

### **Changes in accounting standards**

These financial statements have been prepared in accordance with the same accounting policies as used in the preparation of the annual consolidated financial statements for 2016. 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 consolidated financial statements of the Alior Bank Group for 2016.

### **Significant accounting policies**

The detailed accounting policies have been presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2016 published on Alior Bank's website on 9 March 2017.

## IFRS 9

### Implementation status

IFRS 9 *Financial Instruments* is mandatory for financial statements that are prepared for financial periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: recognition and measurement*. As a result of the introduction of IFRS 9, there are changes in the following three: classification and valuation of financial instruments, recognition and calculation of impairment, and hedge accounting, which was widely disclosed by the Bank in Note 2.4 to the consolidated financial statements of Alior Bank Group for 2016 published on 9 March 2017.

In March 2016 Alior Bank launched the implementation of IFRS 9, supported by an external advisor. The project involves many departments in the Bank responsible for accounting policy, reporting, management information, taxes, revaluation write-downs on financial instruments, IT systems and operating activities related to granting and monitoring credits. The first stage ended at the beginning of 2017 with the identification of the differences between IAS 39 and IFRS 9 and the actions required to achieve the Group's compliance with the requirements of the new standard. From the beginning of February 2017, the second phase of the project was launched to implement the changes resulting from IFRS 9. In the second stage of implementation of IFRS 9 was focused on:

- development and implementation of solutions in IT systems,
- development of new processes related to the contractual cash flow test, business model assessment and modification of contractual cash flows,
- modifications to existing internal regulations (policies, internal regulations, processes, etc.);
- developing and implementing models for determining impairment allowances.

Due to the wide range of changes, the Group set the implementation of IFRS 9 for the fourth quarter of 2017. The Bank is in the process of preparing and testing IT solutions in order to implement a new method of calculating write-downs in the systems.

### Comparative data

As at the date of publication of this report, Alior Bank Group decided to use the exemption provided for in IFRS 9 from the obligation to restate comparative data.

### Hedge accounting

In its consolidated financial statements for 2016 Alior Bank announced, given the guidance in IFRS 9 on hedge accounting, to streamline current solutions and better reflect risk management, to adopt to the principles described in the new standard. However, upon completion of the risk analysis and benefits associated with adopting IFRS 9 hedge accounting principles, the Alior Bank Group decided to continue applying IAS 39 provisions on hedge accounting.

### Impact of IFRS 9 on financial position and own funds

Due to the ongoing work on the implementation of IFRS 9 and the lack of a reliable estimate of the impact of the implementation of the standard, Alior Bank did not disclose the quantitative impact on its financial results. Nevertheless, according to preliminary estimates, IFRS 9 will lead to a material increase in impairment allowance due to the need to recognize expected losses over the expected life of exposures for which a significant increase in credit

risk has been identified and due to the need to calculate expected credit losses for the remaining non-default portfolio over a period of 12 months (significantly longer than the current LIP when calculating the IBNR provision), which will have a direct impact on the reduction of regulatory capital ratios.

On 16 June 2017, a meeting of the Economic and Financial Affairs Council (ECOFIN) was held, during which the Council reaffirmed its position on the "fast track" of approving certain items of the CRDV / CRR2 package, including these related to IFRS 9, large exposures and credit hierarchy.

The draft regulation on the amortization of the impact of IFRS 9 on capital includes:

- increase Tier 1 capital (CET1) by a defined, diminishing portion of write-offs on expected loan loss during the five-year transition period;
- the write-offs for the expected credit loss will be calculated as the difference between the write-offs calculated in accordance with IFRS 9 as at 1.01.2018 and the level of write-offs calculated under IAS 39 as at 31.12.2017;
- use of multipliers in the following years of the transitional period: 95%, 85%, 70%, 50%, 25%;
- in addition, in the event of a significant increase in write-offs (over 20%) as at the reporting date in relation to write-offs at 1.01.2018, the Group will have the option to increase the CET1 capital by the difference between the write-offs according to these standards.

The introduction of the regulation will reduce the negative impact of the implementation of IFRS 9 for the purpose of assessing capital adequacy.

## 2.3 Changes in presentation

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

Position of income statement	were presented		Change		Restated	
	01.07.2016-30.09.2016	01.01.2016-30.09.2016	01.07.2016-30.09.2016	01.01.2016-30.09.2016	01.07.2016-30.09.2016	01.01.2016-30.09.2016
Interest income	<b>723 920</b>	<b>2 080 911</b>	<b>-68 030</b>	<b>-232 888</b>	<b>655 890</b>	<b>1 848 023</b>
Interest income from financial instruments measured at amortized cost including the effective interest rate method	622 959	1 748 623	0	0	622 959	1 748 623
term deposits	478	1 306	0	0	478	1 306
loans	580 121	1 628 920	0	0	580 121	1 628 920
financial assets available for sale	34 081	92 365	0	0	34 081	92 365
receivables acquired	2 956	14 845	0	0	2 956	14 845
other	5 323	11 187	0	0	5 323	11 187
Other interest income	100 961	332 288	-68 030	-232 888	32 931	99 400
current accounts	4 689	13 237	0	0	4 689	13 237
overnight deposits	352	686	0	0	352	686
derivative hedging instruments	95 920	318 365	-68 030	-232 888	27 890	85 477
Interest expense	<b>-233 410</b>	<b>-733 734</b>	<b>68 030</b>	<b>232 888</b>	<b>-165 380</b>	<b>-500 846</b>
Interest expense from	-133 054	-415 608	0	0	-133 054	-415 608

financial instruments  
measured at amortized  
cost including the  
effective interest rate  
method

term deposits	-97 203	-310 978	0	0	-97 203	-310 978
repo transactions in securities	-3 118	-9 217	0	0	-3 118	-9 217
cash deposits	-504	-2 744	0	0	-504	-2 744
own issue	-31 754	-90 806	0	0	-31 754	-90 806
other	-475	-1 863	0	0	-475	-1 863
Other interest expense	-100 356	-318 126	68 030	232 888	-32 326	-85 238
current deposits	-11 024	-27 036	0	0	-11 024	-27 036
derivative hedging instruments	-89 332	-291 090	68 030	232 888	-21 302	-58 202
<b>Net interest income</b>	<b>490 510</b>	<b>1 347 177</b>	<b>0</b>	<b>0</b>	<b>490 510</b>	<b>1 347 177</b>

In relation to the published interim condensed consolidated financial statements as of 30 June 2017, in this report the presentation of fee and commission income was changed. It is due to the presentation adjustment of commission income related to the acquired part of Bank BPH as well as the consolidation adjustments of subsidiaries.

Position of income statement	were presented	Change	Restated
	01.01.2017-30.06.2017	01.01.2017-30.06.2017	01.01.2017-30.06.2017
<b>Fee and commission income</b>	<b>404 101</b>	<b>0</b>	<b>404 101</b>
brokerage commissions	64 931	-2 176	62 755
payment cards	96 403	2 176	98 579
revenue from bancassurance activity	37 363	4 892	42 255
loans and advances	42 850	0	42 850
accounts maintenance	73 057	267	73 324
transfers	28 643	3 260	31 903
remittances and withdrawals services	19 926	1 378	21 304
acquired receivables	7 158	0	7 158
guarantees, letters of credit, collections, promises	6 041	0	6 041
other commissions	27 729	-9 797	17 932

In relation to the published interim condensed consolidated financial statements as of 30 June 2017, in this report the presentation of general administrative expenses was changed. It is due to a correction in the allocation of the restructuring provision.

Position of income statement	were presented		Change		Restated	
	01.04.2017-30.06.2017	01.01.2017-30.06.2017	01.04.2017-30.06.2017	01.01.2017-30.06.2017	01.04.2017-30.06.2017	01.01.2017-30.06.2017
<b>Employee expenses</b>	<b>-267 229</b>	<b>-533 200</b>	<b>-27 460</b>	<b>-27 460</b>	<b>-294 689</b>	<b>-560 660</b>
remuneration due to employment contracts	-193 464	-411 072	-27 460	-27 460	-220 924	-438 532
<b>General and administrative costs</b>	<b>-190 522</b>	<b>-366 422</b>	<b>27 460</b>	<b>27 460</b>	<b>-163 062</b>	<b>-338 962</b>
lease and building maintenance expenses	-51 163	-105 381	27 460	27 460	-23 703	-77 921
<b>Total general administrative expenses</b>	<b>-502 774</b>	<b>-992 040</b>	<b>0</b>	<b>0</b>	<b>-502 774</b>	<b>-992 040</b>

## 2.4 Restatement of comparative data in connection with settlement of the acquisition of the demerged business of Bank BPH SA

Due to the completion of the process of final settlement of the acquisition of the demerged business of Bank BPH, the data as of 31 December 2016 was retrospectively restated. Additional information related to this settlement is presented in note 32.

ASSETS	31.12.2016 approved	adjustments	31.12.2016 restated
Cash and balances with the Central Bank	1 082 991	0	1 082 991
Financial assets held for trading	419 551	0	419 551
Available-for-sale financial assets	9 357 734	16 912	9 374 646
Investment securities held to maturity	1 954	0	1 954
Hedging derivatives	71 684	0	71 684
Amounts due from banks	1 366 316	0	1 366 316
Loans and advances to customers	46 278 414	-31 226	46 247 188
Assets pledged as collateral	366 984	0	366 984
including: pledged assets	29 783	0	29 783
Property, plant and equipment	485 796	0	485 796
Intangible assets	516 444	0	516 444
Non-current asset held for sale	679	0	679
Income tax asset	531 063	9 199	540 262
<i>Deferred</i>	531 063	9 199	540 262
Other assets	729 935	-43 939	685 996
<b>TOTAL ASSETS</b>	<b>61 209 545</b>	<b>-49 054</b>	<b>61 160 491</b>

LIABILITIES AND EQUITY	31.12.2016 approved	adjustments	31.12.2016 restated
Financial liabilities held for trading	298 314	0	298 314
Amounts due to banks	428 640	0	428 640
Amounts due to customers	51 368 701	0	51 368 701
Derivative hedging instruments	6 119	0	6 119
Provisions	286 815	0	286 815
Other liabilities	1 439 304	-6 003	1 433 301
Income tax liabilities	13 945	0	13 945
<i>Current</i>	13 190	0	13 190
<i>Deferred</i>	755	0	755
Subordinated loans	1 164 794	0	1 164 794
<b>Equity</b>	<b>6 202 913</b>	<b>0</b>	<b>6 159 862</b>
<b>Equity attributable to equity holders of the parent</b>	<b>6 201 934</b>	<b>0</b>	<b>6 158 883</b>
Share capital	1 292 578	0	1 292 578
Supplementary capital	4 185 843	0	4 185 843
Revaluation reserve	-71 615	0	-71 615
Other reserves	183 957	0	183 957
Foreign operations currency translation differences	-22	0	-22
Undistributed result from previous years	-7 085	0	-7 085
Current year profit/loss	618 278	-43 051	575 227
<b>Non-controlling interests</b>	<b>979</b>	<b>0</b>	<b>979</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>61 209 545</b>	<b>-49 054</b>	<b>61 160 491</b>



### 3. Operating segments

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

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

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

The basic products for retail customers comprise:

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

The basic products for business customers comprise:

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

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

- margin revenue decreased by financing costs(the rate at which a branch makes settlements with the Interbank Transactions Department);
- 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.

Reconciliation items include:

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

## Results and volumes by segments for the nine months ended 30 September 2017

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Reconciliation items	Total Group
<b>External interest income</b>	<b>1 458 260</b>	<b>645 223</b>	<b>-4 370</b>	<b>2 099 113</b>	<b>5 045</b>	<b>2 104 158</b>
external income	1 698 431	855 049	103 336	2 656 816	6 824	2 663 640
external expense	-240 171	-209 826	-107 706	-557 703	-1 779	-559 482
<b>Internal interest income</b>	<b>-134 971</b>	<b>-107 539</b>	<b>156 819</b>	<b>-85 691</b>	<b>85 691</b>	<b>0</b>
internal income	499 576	230 301	2 109 725	2 839 602	85 691	2 925 293
internal expense	-634 547	-337 840	-1 952 906	-2 925 293	0	-2 925 293
<b>Net interest income</b>	<b>1 323 289</b>	<b>537 684</b>	<b>152 449</b>	<b>2 013 422</b>	<b>90 736</b>	<b>2 104 158</b>
Fee and commission income	232 764	249 951	1 003	483 718	127 648	611 366
Fee and commission expense	-125 841	-62 657	-10 702	-189 560	-74 030	-273 230
<b>Net fee and commission income</b>	<b>106 923</b>	<b>187 294</b>	<b>-9 699</b>	<b>294 158</b>	<b>53 618</b>	<b>338 136</b>
<b>Dividend income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>27</b>
<b>Trading result</b>	<b>3 120</b>	<b>29 817</b>	<b>235 863</b>	<b>268 800</b>	<b>0</b>	<b>268 800</b>
<b>Net gain (realized) on other financial instruments</b>	<b>89 749</b>	<b>126 048</b>	<b>-213 817</b>	<b>1 980</b>	<b>0</b>	<b>1 980</b>
Other operating income	127 836	9 222	186	127 603	-49 234	88 009
Other operating expenses	-14 533	-4	-8	-14 545	-39 454	-53 999
<b>Net other operating income</b>	<b>113 303</b>	<b>9 218</b>	<b>178</b>	<b>113 058</b>	<b>-88 688</b>	<b>34 010</b>
<b>Total result before impairment losses</b>	<b>1 636 384</b>	<b>890 061</b>	<b>164 974</b>	<b>2 691 418</b>	<b>55 693</b>	<b>2 747 111</b>
<b>Impairment losses</b>	<b>-343 700</b>	<b>-319 476</b>	<b>0</b>	<b>-663 176</b>	<b>-16 482</b>	<b>-679 658</b>
<b>Total result after impairment losses</b>	<b>1 292 684</b>	<b>570 585</b>	<b>164 974</b>	<b>2 028 242</b>	<b>39 211</b>	<b>2 067 453</b>
<b>General administrative expenses</b>	<b>-1 137 859</b>	<b>-403 624</b>	<b>-4 004</b>	<b>-1 545 487</b>	<b>0</b>	<b>-1 545 487</b>
<b>Gross profit (loss)</b>	<b>154 825</b>	<b>166 961</b>	<b>160 970</b>	<b>482 755</b>	<b>39 211</b>	<b>521 966</b>
Income tax	0	0	0	0	-149 617	-149 617
<b>Net profit (loss)</b>	<b>154 825</b>	<b>166 961</b>	<b>160 970</b>	<b>482 755</b>	<b>-110 406</b>	<b>372 349</b>
Depreciation	0	0	0	0	0	-146 511
Assets	38 098 265	26 360 214	37 300	64 495 779	543 433	<b>65 039 212</b>
Liabilities	36 329 982	22 043 436	9 461	58 382 878	48 722	<b>58 431 600</b>

## Results and volumes by segments for the nine months ended 30 September 2016

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Reconciliation items	Total Group
<b>External interest income</b>	<b>859 266</b>	<b>389 037</b>	<b>96 316</b>	<b>1 344 619</b>	<b>2 558</b>	<b>1 347 177</b>
external income	1 116 655	589 301	372 171	2 078 127	2 784	2 080 911
external expense	-257 389	-200 264	-275 855	-733 508	-226	-733 734
<b>Internal interest income</b>	<b>-2 410</b>	<b>-8 748</b>	<b>17 437</b>	<b>6 279</b>	<b>-6 279</b>	<b>0</b>
internal income	400 820	179 474	861 523	1 441 817	-928	1 440 889
internal expense	-403 230	-188 222	-844 086	-1 435 538	-5 351	-1 440 889
<b>Net interest income</b>	<b>856 856</b>	<b>380 289</b>	<b>113 753</b>	<b>1 350 898</b>	<b>-3 721</b>	<b>1 347 177</b>
Fee and commission income	163 415	208 527	322	372 265	38 329	410 594
Fee and commission expense	-90 383	-38 372	-5 923	-134 678	-36 336	-171 014
<b>Net fee and commission income</b>	<b>73 032</b>	<b>170 155</b>	<b>-5 601</b>	<b>237 586</b>	<b>1 994</b>	<b>239 580</b>
<b>Dividend income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>51</b>
<b>Trading result</b>	<b>2 948</b>	<b>39 732</b>	<b>166 633</b>	<b>209 313</b>	<b>0</b>	<b>209 313</b>
<b>Net gain (realized) on other financial instruments</b>	<b>75 054</b>	<b>87 843</b>	<b>-141 917</b>	<b>20 980</b>	<b>0</b>	<b>20 980</b>
Other operating income	74 807	6 164	-33	80 938	-30 876	50 062
Other operating expenses	-8 310	-1	-120	-8 431	-27 670	-36 101
<b>Net other operating income</b>	<b>66 497</b>	<b>6 164</b>	<b>-153</b>	<b>72 508</b>	<b>-58 547</b>	<b>13 961</b>
<b>Total result before impairment losses</b>	<b>1 074 387</b>	<b>684 183</b>	<b>132 715</b>	<b>1 891 285</b>	<b>-60 223</b>	<b>1 831 062</b>
<b>Impairment losses</b>	<b>-337 537</b>	<b>-192 779</b>	<b>0</b>	<b>-530 316</b>	<b>-17 547</b>	<b>-547 863</b>

<b>Total result after impairment losses</b>	<b>736 850</b>	<b>491 404</b>	<b>132 715</b>	<b>1 360 969</b>	<b>-77 770</b>	<b>1 283 199</b>
<b>General administrative expenses</b>	<b>-698 367</b>	<b>-247 726</b>	<b>-2 455</b>	<b>-948 548</b>	<b>0</b>	<b>-948 548</b>
<b>Gross profit (loss)</b>	<b>38 483</b>	<b>243 678</b>	<b>130 260</b>	<b>412 421</b>	<b>-77 770</b>	<b>334 651</b>
Income tax	0	0	0	0	-85 978	-85 978
<b>Net profit (loss)</b>	<b>38 483</b>	<b>243 678</b>	<b>130 260</b>	<b>412 421</b>	<b>-163 748</b>	<b>248 673</b>
Depreciation	0	0	0	0	0	-70 669
Assets	27 160 461	17 542 967	24 976	44 728 403	1 853 136	<b>46 581 539</b>
Liabilities	26 316 121	14 353 607	8 410	40 678 138	25 793	<b>40 703 931</b>

## Notes to the interim condensed consolidated income statement

### 4. Net interest income

	01.07.2017- 30.09.2017*	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
<b>Interest income</b>	<b>903 610</b>	<b>2 663 640</b>	<b>655 890</b>	<b>1 848 023</b>
Interest income from financial instruments measured at amortized cost including the effective interest rate method	873 278	2 522 518	622 959	1 748 623
term deposits	274	823	478	1 306
loans	811 534	2 359 631	580 121	1 628 920
financial assets available for sale	41 290	113 084	34 081	92 365
receivables acquired	8 275	21 889	2 956	14 845
other	11 905	27 091	5 323	11 187
Other interest income	30 332	141 122	32 931	99 400
current accounts	6 472	18 575	4 689	13 237
overnight deposits	264	1 113	352	686
derivative hedging instruments	23 596	121 434	27 890	85 477
<b>Interest expense</b>	<b>-179 801</b>	<b>-559 482</b>	<b>-165 380</b>	<b>-500 846</b>
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-131 658	-372 904	-133 054	-415 608
term deposits	-88 967	-252 472	-97 203	-310 978
repo transactions in securities	-4 612	-12 478	-3 118	-9 217
cash deposits	-779	-2 633	-504	-2 744
own issue	-34 825	-98 776	-31 754	-90 806
other	-2 475	-6 545	-475	-1 863
Other interest expense	-48 143	-186 578	-32 326	-85 238
current deposits	-28 681	-79 268	-11 024	-27 036
derivative hedging instruments	-19 462	-107 310	-21 302	-58 202
<b>Net interest income</b>	<b>723 809</b>	<b>2 104 158</b>	<b>490 510</b>	<b>1 347 177</b>

\* as in Note 2.3 Changes in presentation

### 5. Net fee and commission income

	01.07.2017- 30.09.2017*	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
<b>Fee and commission income</b>	<b>207 265</b>	<b>611 366</b>	<b>135 490</b>	<b>410 594</b>
brokerage commissions	32 583	95 338	16 597	47 026
payment cards	55 660	154 239	23 237	72 392
revenue from bancassurance activity	21 266	63 521	13 385	63 344
loans and advances	21 005	63 855	16 066	43 938
accounts maintenance	33 320	106 644	28 152	79 825

transfers	15 591	47 494	9 405	27 683
remittances and withdrawals services	12 209	33 513	7 266	18 204
acquired receivables	2 725	9 883	1 921	5 989
guarantees, letters of credit, collections, promises	3 839	9 880	3 457	10 670
other commissions	9 067	26 999	16 004	41 523
<b>Fee and commission expense</b>	<b>-104 094</b>	<b>-273 230</b>	<b>-59 329</b>	<b>-171 014</b>
brokerage commissions	-1 264	-3 750	-1 162	-2 674
costs of card transactions and ATM , including costs of payment card issue	-51 575	-115 143	-17 973	-50 838
insurance of bank products	-5 415	-15 148	-8 069	-22 370
commissions for ATM sharing	-7 301	-18 554	-5 451	-15 802
fees paid under service agreements	-7 893	-23 115	-2 216	-7 428
awards to customers	-3 613	-15 230	-6 222	-17 634
commissions paid to agents	-9 765	-27 835	-7 899	-24 438
other commissions	-17 268	-54 455	-10 337	-29 830
<b>Net fee and commission income</b>	<b>103 171</b>	<b>338 136</b>	<b>76 161</b>	<b>239 580</b>

\* as in Note 2.3 Changes in presentations

## 6. Trading result

	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
FX transactions	79 796	236 491	56 113	162 832
Interest rate transactions	10 669	23 501	18 978	41 524
Ineffective part of hedge accounting	-680	-2 503	-703	-519
Other instruments	7 432	11 311	3 789	5 476
<b>Trading result</b>	<b>97 217</b>	<b>268 800</b>	<b>78 177</b>	<b>209 313</b>

## 7. Net result realized on other financial instruments

	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
Available-for-sale financial assets	731	1 103	-23	20 237
Own issue	324	1 118	234	739
repurchase income	324	1 120	236	778
repurchase losses	0	-2	-2	-39
Investment certificates	-241	-241	3	4
<b>Net result realized on other financial instruments</b>	<b>814</b>	<b>1 980</b>	<b>214</b>	<b>20 980</b>

## 8. Net other operating income

	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
<b>Other operating income from:</b>	<b>27 635</b>	<b>88 009</b>	<b>16 342</b>	<b>50 062</b>
management of third party assets	6 629	16 399	3 537	10 224
income from contracts with business partners	10 819	31 390	1 024	3 218
reimbursement of costs of claim enforcement	2 498	21 436	5 349	16 274
reimbursement of fees by customers	0	22	4 042	12 057
received compensations	783	1 891	246	1 621
other	6 906	16 871	2 144	6 668
<b>Other operating expenses due to:</b>	<b>-21 877</b>	<b>-53 999</b>	<b>-13 039</b>	<b>-36 101</b>
management of third party assets	-512	-1 655	-312	-1 061
paid compensations, fines and penalties	-5 474	-10 656	-176	-602
awards given to customers	-894	-1 413	-692	-1 178
paid compensations, settlements, complaints	-9 078	-15 605	-1 946	-4 601
fees and costs of claim enforcement	-5 267	-19 766	-6 659	-11 739
other	-652	-4 904	-3 254	-16 920
<b>Net other operating income and expense</b>	<b>5 758</b>	<b>34 010</b>	<b>3 303</b>	<b>13 961</b>

## 9. General administrative expenses

	01.07.2017- 30.09.2017*	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
<b>Payroll costs</b>	<b>-206 243</b>	<b>-766 903</b>	<b>-150 768</b>	<b>-454 891</b>
remuneration due to employment contracts	-183 676	-622 208	-127 608	-382 672
remuneration surcharges	-30 131	-127 909	-21 530	-67 218
revaluation of management option plan – part settled in cash	9 295	-11 509	0	0
other	-1 731	-5 277	-1 630	-5 001
<b>General and administrative costs</b>	<b>-137 699</b>	<b>-476 661</b>	<b>-120 837</b>	<b>-328 398</b>
IT costs	-31 708	-124 042	-11 518	-35 987
lease and building maintenance expenses	-42 868	-120 789	-34 622	-98 727
marketing costs	-16 227	-42 830	-14 723	-36 311
training costs	-3 650	-14 933	-3 818	-14 254
cost of advisory services	-4 326	-31 685	-10 651	-30 472
costs of Bank Guarantee Fund	-11 218	-47 980	-19 098	-56 400
lease of property, plant and equipment and intangible assets	-1 879	-5 184	-1 255	-3 139
costs of telecommunication services	-6 033	-20 540	-4 094	-10 442
external services	-7 082	-31 086	-12 179	-24 819
other	-12 708	-37 592	-8 879	-17 847
<b>Amortization and depreciation</b>	<b>-57 976</b>	<b>-146 511</b>	<b>-23 166</b>	<b>-70 669</b>
Property, plant and equipment	-28 583	-82 555	-14 122	-42 499
Intangible assets	-29 393	-63 956	-9 044	-28 170
<b>Taxes and fees</b>	<b>-2 154</b>	<b>-6 037</b>	<b>-2 338</b>	<b>-6 980</b>
<b>Total general administrative expenses</b>	<b>-404 072</b>	<b>-1 396 112</b>	<b>-297 109</b>	<b>-860 938</b>

\* as in Note 2.3 Changes in presentations

## 10. Net impairment allowance and write-downs

	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2016 - 30.09.2016
Impairment losses on impaired loans and advances to customers	-189 063	-621 981	-187 100	-506 679
retail customers	-74 684	-343 848	-121 787	-329 982
business customers	-114 379	-278 133	-65 313	-176 697
Debt securities – available-for-sale financial assets	0	0	0	-6 974
IBNR for customers without impairment losses	-13 343	-30 505	-8 887	-17 563
retail customers	1 600	29 728	1 116	-12 523
business customers	-14 943	-60 233	-10 003	-5 040
Provision for off-balance sheet liabilities	-4 947	-11 579	-650	-2 036
Property, plant and equipment and intangible assets	-4 606	-15 593	-2 369	-14 611
<b>Net impairment allowance and write-downs</b>	<b>-211 959</b>	<b>-679 658</b>	<b>-199 006</b>	<b>-547 863</b>

As a result of net impairment allowance and write-downs the sale of receivables was recognized, which was described in Note 15 Loans and advances to customers.

## 11. Corporate income tax

11.1 Presented in the income statement	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Current tax	167 801	192 060
current year	167 801	192 060
Deferred tax	-18 184	-106 082
origination and reversal of temporary differences	-18 184	-106 082
<b>Accounting tax recognized in the income statement</b>	<b>149 617</b>	<b>85 978</b>

11.2 Effective tax rate calculation	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
<b>Profit before tax</b>	<b>521 966</b>	<b>334 651</b>
<b>Income tax at 19%</b>	<b>99 174</b>	<b>63 585</b>
<b>Non-tax. deductible expenses</b>	<b>46 428</b>	<b>22 810</b>
Representation costs	318	105
State Fund for Rehabilitation of Persons with Disabilities	1 212	806
Impairment losses on loans in the part not covered with deferred tax	2	45
Prudential charge to Bank Guarantee Fund	9 117	3 435
Bank tax	28 382	16 646
Other	7 397	1 773
<b>Non-taxable revenues</b>	<b>-7 798</b>	<b>-153</b>
Release of loan impairment allowances in the part not covered with the deferred tax	-360	-2
Other	-7 438	-1 405
<b>Recognition of tax loss</b>	<b>173</b>	<b>762</b>
<b>Recognition of assets due to the contribution of receivables to a subsidiary</b>	<b>0</b>	<b>232</b>
<b>Other</b>	<b>11 640</b>	<b>0</b>
<b>Accounting tax recognized in the income statement</b>	<b>149 617</b>	<b>85 978</b>
<b>Effective tax rate</b>	<b>28.66%</b>	<b>25.69%</b>

## 12. Earnings per share

	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2016 - 30.09.2016
Net profit	189 965	372 349	86 937	248 673
Weighted average number of ordinary shares	129 259 802	129 258 450	129 257 712	93 139 852
Share options (number) - adjusting instrument	2 562 703	2 562 703	2 568 564	2 568 564
Adjusted weighted average number of shares	131 822 505	131 821 153	131 826 276	95 708 416
<b>Net earnings per ordinary share (PLN)</b>	<b>1.47</b>	<b>2.88</b>	<b>0.67</b>	<b>2.67</b>
<b>Diluted earnings per one share</b>	<b>1.44</b>	<b>2.82</b>	<b>0.66</b>	<b>2.60</b>

Notes to the interim condensed consolidated statement of financial position

## 13. Cash and balances with the Central Bank

	30.09.2017	31.12.2016 Restated data
Current account with the Central Bank	1 103 542	16 959
Overnight deposit with the Central Bank	154 704	344 009
Cash	521 776	722 023
<b>Cash and balances with the central bank</b>	<b>1 780 022</b>	<b>1 082 991</b>

## 14. Available-for-sale financial assets

	30.09.2017	31.12.2016 Restated data
<b>Debt instruments</b>	<b>8 839 658</b>	<b>9 339 005</b>
issued by the State Treasury	6 496 070	6 197 981
T-bonds	6 496 070	6 197 981
issued by monetary institutions	2 059 568	2 691 128
Eurobonds	89 161	91 590
money bills	1 970 407	2 599 538
issued by other financial institutions	94 305	156 746
bonds	0	59 880
Eurobonds	94 305	96 866
issued by companies	189 715	293 150
bonds	189 715	293 150
<b>Equity instruments</b>	<b>40 450</b>	<b>35 641</b>
<b>Available-for-sale financial assets</b>	<b>8 880 108</b>	<b>9 374 646</b>

### Investment securities held to the maturity date

As of 30.09.2017, all securities held to maturity were collateral of a loan in the European Investment Bank and are disclosed in note 18 Assets pledged as a collateral

	30.09.2017	31.12.2016 Restated data
<b>Debt instruments</b>	<b>0</b>	<b>1 954</b>
issued by the State Treasury	0	1 954
T-bonds	0	1 954
<b>Investment securities held to the maturity date</b>	<b>0</b>	<b>1 954</b>

## 15. Loans and advances to customers

15.1 By type	30.09.2017	31.12.2016 Restated data
<b>Retail segment</b>	<b>27 499 084</b>	<b>25 889 424</b>
Working capital facility	289 620	293 951
Consumer loans	14 662 114	14 296 448
Consumer finance loans	1 612 571	1 256 762
Loans for purchase of securities	98 393	125 117
Credit card borrowings loans	578 525	624 966
Loans for residential real estate	9 385 986	8 407 632
Other mortgage loans	838 325	833 485
Other receivables	33 550	51 063
<b>Corporate segment</b>	<b>22 600 443</b>	<b>20 357 764</b>
Working capital facility	11 374 903	10 749 077
Car loans	97 410	131 971
Investment loans	8 570 421	7 486 754
Acquired receivables(factoring)	1 040 723	794 087
Reverse Repo/BSB	501 039	680 780
Lease receivables	644 255	280 808
Other receivables	371 692	234 287
<b>Loans and advances to customers</b>	<b>50 099 527</b>	<b>46 247 188</b>

15.2 By gross amounts and carrying amounts	30.09.2017	31.12.2016 Restated data
<b>Retail segment</b>	<b>27 499 084</b>	<b>25 889 424</b>
Loans for residential real estate	9 385 986	8 407 632
unimpaired	9 226 810	8 270 924
impaired	242 538	214 637
IBNR	-3 261	-3 572
impairment allowance	-80 101	-74 357
Consumer finance loans	1 612 571	1 256 761
unimpaired	1 604 874	1 245 377
impaired	44 415	45 286
IBNR	-5 011	-3 457
impairment allowance	-31 707	-30 445
Other retail loans	16 500 527	16 225 031
unimpaired	15 970 299	15 678 951
impaired	2 206 925	2 227 154
IBNR	-200 188	-196 949
impairment allowance	-1 476 509	-1 484 125
<b>Corporate segment</b>	<b>22 600 443</b>	<b>20 357 764</b>
unimpaired	20 850 388	19 293 877
impaired	3 331 141	2 332 875
IBNR	-123 772	-103 050
impairment allowance	-1 457 314	-1 165 938
<b>Loans and advances to customers</b>	<b>50 099 527</b>	<b>46 247 188</b>

15.3 Receivables from customers impaired	30.09.2017	31.12.2016 Restated data
<b>Receivables from customers individually assessed</b>	<b>1 555 377</b>	<b>1 071 663</b>
<b>Retail segment</b>	<b>524</b>	<b>1 198</b>
Amounts due from customers	8 303	9 240
Impairment allowance	-7 779	-8 042
<b>Corporate segment</b>	<b>1 554 853</b>	<b>1 070 465</b>
Amounts due from customers	2 381 705	1 822 967
Impairment allowance	-826 852	-752 502
<b>Receivables from customers collectively assessed</b>	<b>1 224 011</b>	<b>993 424</b>
<b>Retail segment</b>	<b>905 037</b>	<b>896 952</b>
Amounts due from customers	2 485 575	2 477 837
Impairment allowance	-1 580 538	-1 580 885
<b>Corporate segment</b>	<b>318 974</b>	<b>96 472</b>
Amounts due from customers	949 436	509 908
Impairment allowance	-630 462	-413 436
<b>Receivables from customers impaired</b>	<b>2 779 388</b>	<b>2 065 087</b>

15.4 Change in the balance of receivables impairment allowances and IBNR	30.09.2017	31.12.2016
Opening balance	3 036 692	1 937 689
Changes during the year:	652 484	328 255
Increases	2 544 917	949 074
Retail segment	1 375 778	710 043
Corporate segment	1 169 139	239 031
Decreases	-1 892 433	-620 819
Retail segment	-1 061 660	-488 209
Corporate segment	-830 773	-132 610



Transfer to costs	-397 505	-3 944
Other changes	86 192	31 805
<b>Impairment allowance and IBNR at the end of the period</b>	<b>3 377 863</b>	<b>2 293 805</b>

The provision for losses incurred but not reported (IBNR) amounted to PLN 332 232 thousand as at 30 September 2017 and PLN 307 028 thousand as at 31 December 2016.

In the first three quarters of 2017, the Group sold loans for a total gross amounted to PLN 625 280 thousand PLN, the provision recorded for this portfolio amounted to PLN 462 360 thousand zł. The impact of debt sales on the cost of risk in the three quarters of 2017 amounted to PLN 70 755 thousand after taking into account the update of risk parameters aimed at adjusting the level of impairment allowances to the risk profile remaining in the Group's NPL portfolio.

## 16. Amounts due from banks

	30.09.2017	31.12.2016 Restated data
Current accounts	324 452	387 334
Overnight deposits (O/N)	221 958	0
Term deposits	10 337	238 918
Reverse Repo	161 582	583 012
Deposits as derivative transactions (ISDA) collateral	126 225	145 141
Other	45 888	11 911
<b>Amounts due from banks</b>	<b>890 442</b>	<b>1 366 316</b>

## 17. Other assets

	30.09.2017	31.12.2016 Restated data
<b>Sundry debtors</b>	<b>671 460</b>	<b>653 852</b>
Other settlements	201 765	260 178
Receivables from the sale of receivables	187 524	0
Receivables related to the sale of services (including insurance)	62 311	84 885
Guarantee deposits	19 372	12 434
Settlements of payment cards	106 140	202 007
Receivables in respect of the settlement of the purchase of the demerged part of Bank BPH	94 348	94 348
<b>Deferred costs</b>	<b>41 543</b>	<b>61 077</b>
Settlements of rental charges and utilities	25	1 803
Maintenance and support of systems, servicing of plant and equipment	13 604	14 207
Other deferred costs	27 914	45 067
<b>Settlements of VAT</b>	<b>111 946</b>	<b>32 911</b>
<b>Other assets (gross)</b>	<b>824 949</b>	<b>747 840</b>
Impairment allowance	-71 868	-61 844
<b>Other assets (net)</b>	<b>753 081</b>	<b>685 996</b>
including financial assets (gross)	671 460	653 852

## 18. Assets pledged as collateral

	30.09.2017	31.12.2016 Restated data
Treasury bonds blocked with REPO transactions	194 685	29 783
Registered pledge on Treasury bonds	37 935	118 048
Deposit as collateral of transactions performed in Alior Trader	1 029	1 252
Available-for-sale financial assets securing a loan in EIB	108 228	0
Financial assets held to maturity	219 938	217 901
<b>Total</b>	<b>561 815</b>	<b>366 984</b>

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

	30.09.2017	31.12.2016 Restated data
Treasury bonds locked in BFG	304 407	204 411
Deposit as collateral of derivative transactions (ISDA)	126 225	145 141
<b>Total</b>	<b>430 632</b>	<b>349 552</b>

## 19. Amounts due to customers

19.1 By type	30.09.2017	31.12.2016 Restated data
Current deposits	28 671 301	25 791 089
Term deposits	22 487 554	22 288 222
Banking securities issued	2 911 591	2 538 626
Bonds issued*	228 456	230 046
Other liabilities	432 628	520 718
<b>Total amounts due to customers</b>	<b>54 731 530</b>	<b>51 368 701</b>

19.2 By customer type and segment	30.09.2017	31.12.2016 Restated data
<b>Retail segment</b>	<b>33 641 692</b>	<b>32 035 389</b>
Current deposits	20 181 856	17 264 837
Term deposits	11 948 221	13 908 933
Banking securities issued	1 269 662	628 246
Bonds issued*	80 888	0
Other liabilities	161 065	233 373
<b>Corporate segment</b>	<b>21 089 838</b>	<b>19 333 312</b>
Current deposits	8 489 445	8 526 252
Term deposits	10 539 333	8 379 289
Banking securities issued	1 641 930	1 910 380
Bonds issued*	147 567	230 046
Other liabilities	271 563	287 345
<b>Total amounts due to customers</b>	<b>54 731 530</b>	<b>51 368 701</b>

\*Details in Note 36 Settlement of the issue of series J bonds

In the three quarters of 2017 the Group issued banking securities amounting to PLN 1 094 748 thousand; securities purchased before maturity amounted to PLN 89 956 thousand.

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

## 20. Amounts due to banks

	30.09.2017	31.12.2016 Restated data
Current deposits	1 275	32 304
Overnights	39	856
Bonds issued	22 594	20 004
Credit received	284 284	180 954
Other liabilities	211 552	164 710
Repo	194 763	29 812
<b>Total amounts due to banks</b>	<b>714 507</b>	<b>428 640</b>

## 21. Provisions

	30.09.2017	31.12.2016 Restated data
Provisions for legal claims*	9 755	8 700
Provisions for retirement and pension benefits	11 782	10 754
Provisions for off-balance-sheet liabilities	29 046	17 586
Restructuring provision	71 827	249 775
<b>Total provision</b>	<b>122 410</b>	<b>286 815</b>

\*Details in Note 31

	Provisions for legal claims	Provisions for retirement and pension benefits	Provisions for off-balance sheet liabilities	Restructuring provision	Total provision
1 January 2017	8 700	10 754	17 586	249 775	286 815
Provisions recorded	1 555	8 710	35 602	0	45 867
Provisions released	-524	-7 647	-24 023	-28 143	-60 337
Provisions utilized	-1 019	-35	0	-149 805	-150 859
Other changes	1 043	0	-119	0	924
<b>30 September 2017</b>	<b>9 755</b>	<b>11 782</b>	<b>29 046</b>	<b>71 827</b>	<b>122 410</b>

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

The table below shows the details of restructuring provision:

	01.01.2017	Utilization	Release of provisions	30.09.2017
Severance pay for employees	174 201	125 827	18 989	29 385
The reorganization of the branch network	75 574	23 978	9 154	42 442
	<b>249 775</b>	<b>149 805</b>	<b>28 143</b>	<b>71 827</b>

## 22. Other liabilities

	30.09.2017	31.12.2016 Restated data
Interbank settlements	430 919	592 835
Taxation, customs duty, social and health insurance payables and other public settlements	45 363	39 139
Liabilities in respect of payment card settlements	81 394	65 006
Other settlements	152 139	111 188
including settlements with insurers	15 555	22 755
Settlements of banking certificates of deposits	111 165	112 858
Accruals	94 376	150 981
Income received in advance	85 411	78 286

Provision for bancassurance resignations	56 988	71 175
Provision for bonuses	98 054	74 563
Provision for employee benefits	26 563	32 753
Provision for bonuses settled in phantom shares	13 561	14 126
Provision for retention programs	15 653	56 378
Revaluation of management option plan – part settled in cash	4 700	12 075
Other staff provisions	306	870
Other liabilities	19 371	21 068
<b>Total other liabilities</b>	<b>1 235 963</b>	<b>1 433 301</b>
including financial liabilities	664 452	769 029

### 23. Financial assets and financial liabilities held for trading

Financial assets held for trading	30.09.2017	31.12.2016 Restated data
Shares	4 212	6 312
Bonds	99 747	294
Certificates	661	557
Interest rate transactions	192 302	189 703
SWAP	189 836	186 532
Cap Floor Options	2 466	3 171
Foreign exchange transactions	123 304	174 953
FX swap	48 951	32 156
FX forward	46 151	60 051
CIRS	17 673	60 669
FX options	10 529	22 077
Other options	44 216	28 736
Other instruments	16 262	18 996
<b>Financial assets held for trading</b>	<b>480 704</b>	<b>419 551</b>

Financial liabilities held for trading	30.09.2017	31.12.2016 Restated data
Bonds	161 558	0
Interest rate transactions	122 637	159 056
SWAP	120 183	155 885
Cap Floor Options	2 454	3 171
Foreign exchange transactions	59 283	92 169
FX swap	10 540	22 999
FX forward	16 308	25 276
CIRS	22 576	20 948
FX options	9 859	22 946
Other options	44 510	28 693
Other instruments	16 007	18 396
<b>Financial liabilities held for trading</b>	<b>403 995</b>	<b>298 314</b>

### 24. Subordinated liabilities

	31.09.2017	31.12.2016 Restated data
<b>Liabilities included in own funds</b>	<b>1 169 760</b>	<b>1 164 794</b>
Subordinated loan	43 280	44 428
F-series bonds	321 919	325 915
G-series bonds	198 115	195 551
I-series bonds	152 523	150 594
II-series bonds	33 911	33 482
B-series bonds (Meritum Bank)	69 050	67 706

C-series bonds (Meritum Bank)	81 650	80 401
EUR001-series bonds	45 162	45 331
PIA-series bonds	152 875	150 961
PIB-series bonds	71 275	70 425
<b>Subordinated liabilities</b>	<b>1 169 760</b>	<b>1 164 794</b>

## 25. Fair value

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

The classification and valuation rules for each level of the fair value hierarchy have not changed in comparison to the previous reporting period.

In 2017 there were no movements between valuation levels.

30.09.2017	Level1	Level2	Level3	Total
<b>Financial assets</b>				
Shares	4 212	0	0	4 212
Bonds	99 747	0	0	99 747
Certificates	661	0	0	661
SWAP	0	189 836	0	189 836
Cap Floor Options	0	2 466	0	2 466
FX swap	0	48 951	0	48 951
FX forward	0	46 151	0	46 151
CIRS	0	17 673	0	17 673
FX options	0	10 529	0	10 529
Other options	0	1 612	42 604	44 216
Other instruments	4 549	11 713	0	16 262
<b>Financial assets held for trading</b>	<b>109 169</b>	<b>328 931</b>	<b>42 604</b>	<b>480 704</b>
Money bills	0	1 970 407	0	1 970 407
Equity instruments	835	0	39 615	40 450
T-bonds	6 496 070	0	0	6 496 070
Other bonds	183 467	0	189 714	373 181
<b>Available-for-sale financial assets</b>	<b>6 680 372</b>	<b>1 970 407</b>	<b>229 329</b>	<b>8 880 108</b>
Interest rate transactions	0	75 123	0	75 123
<b>Derivative hedging instruments</b>	<b>0</b>	<b>75 123</b>	<b>0</b>	<b>75 123</b>

31.12.2016 Restated data	Level1	Level2	Level3	Total
<b>Financial assets</b>				
Shares	6 312	0	0	6 312
Bonds	294	0	0	294
Certificates	557	0	0	557
SWAP	0	186 532	0	186 532
Cap Floor Options	0	3 171	0	3 171
FX swap	0	32 156	0	32 156
FX forward	0	60 051	0	60 051
CIRS	0	60 669	0	60 669
FX options	0	21 129	948	22 077
Other options	0	0	28 736	28 736
Other instruments	7 462	11 534	0	18 996

<b>Financial assets held for trading</b>	<b>14 625</b>	<b>375 242</b>	<b>29 684</b>	<b>419 551</b>
Money bills	0	2 599 538	0	2 599 538
Instrumenty kapitałowe	431	0	35 210	35 641
T-bonds	6 197 981	0	0	6 197 981
Other bonds	188 456	0	353 030	541 486
<b>Available-for-sale financial assets</b>	<b>6 386 868</b>	<b>2 599 538</b>	<b>388 240</b>	<b>9 374 646</b>
Interest rate transactions	0	71 684	0	71 684
<b>Derivative hedging instruments</b>	<b>0</b>	<b>71 684</b>	<b>0</b>	<b>71 684</b>

Movements on financial assets classified as level 3	30.09.2017	30.09.2016
<b>Opening balance</b>	<b>29 684</b>	<b>34 555</b>
<b>Increases, including</b>	<b>34 595</b>	<b>43 724</b>
Valuation of derivatives	15 110	36 961
Derivatives transactions	19 485	6 763
<b>Decreases, including</b>	<b>-21 675</b>	<b>-60 939</b>
Valuation of derivatives	-2 497	-49 237
Settlement/redemption	-19 178	-11 702
<b>Financial assets classified as level 3 at the end of the period</b>	<b>42 604</b>	<b>17 340</b>

30.09.2017	Level1	Level2	Level3	Total
<b>Financial liabilities</b>				
Bonds	161 558	0	0	161 558
SWAP	0	120 183	0	120 183
Cap Floor Options	0	2 454	0	2 454
FX swap	0	10 540	0	10 540
FX forward	0	16 308	0	16 308
CIRS	0	22 576	0	22 576
FX options	0	9 859	0	9 859
Other options	0	1 607	42 903	44 510
Other instruments	13 848	2 159	0	16 007
<b>Financial liabilities held for trading</b>	<b>175 406</b>	<b>185 686</b>	<b>42 903</b>	<b>403 995</b>
Interest rate transactions	0	4 713	0	4 713
<b>Derivative hedging instruments</b>	<b>0</b>	<b>4 713</b>	<b>0</b>	<b>4 713</b>

31.12.2016	Level1	Level2	Level3	Total
<b>Restated data</b>				
<b>Financial liabilities</b>				
SWAP	0	155 885	0	155 885
Cap Floor Options	0	3 171	0	3 171
FX swap	0	22 999	0	22 999
FX forward	0	25 276	0	25 276
CIRS	0	20 948	0	20 948
FX options	0	21 848	1 098	22 946
Other options	0	0	28 693	28 693
Other instruments	12 289	6 107	0	18 396
<b>Financial liabilities held for trading</b>	<b>12 289</b>	<b>256 234</b>	<b>29 791</b>	<b>298 314</b>
Interest rate transactions	0	6 119	0	6 119
<b>Derivative hedging instruments</b>	<b>0</b>	<b>6 119</b>	<b>0</b>	<b>6 119</b>

Movements on financial liabilities classified as level 3	30.09.2017	30.09.2016
<b>Opening balance</b>	<b>25 492</b>	<b>34 555</b>
<b>Increases, including</b>	<b>34 965</b>	<b>43 073</b>
Valuation of derivatives	15 167	33 601
Derivatives transactions	19 798	9 472
<b>Decreases, including</b>	<b>-17 554</b>	<b>-60 076</b>
Valuation of derivatives	-2 308	-47 497
Settlement/redemption	-15 246	-12 579
<b>Financial liabilities classified as level 3 at the end of the period</b>	<b>42 903</b>	<b>17 552</b>

### Fair value measurement for the purposes of disclosures

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

30.09.2017	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and balances with the Central Bank	1 780 022	1 780 022	0	0	1 780 022
Amounts due from banks	890 442	0	890 442	0	890 442
Loans and advances to customers	50 099 527	0	0	48 847 770	48 847 770
Retail segment	27 499 084	0	0	26 425 169	26 425 169
Working capital facility	289 620	0	0	289 620	289 620
Consumer loans	14 662 114	0	0	14 209 690	14 209 690
Consumer finance loans	1 612 571	0	0	1 620 047	1 620 047
Loans for purchase of securities	98 393	0	0	97 172	97 172
Credit card borrowings loans	578 525	0	0	578 460	578 460
Loans for residential real estate	9 385 986	0	0	8 798 429	8 798 429
Other mortgage loans	838 325	0	0	798 201	798 201
Other receivables	33 550	0	0	33 550	33 550
Corporate segment	22 600 443	0	0	22 422 600	22 422 600
Working capital facility	11 374 903	0	0	11 359 228	11 359 228
Car loans	97 410	0	0	97 410	97 410
Investment loans	8 570 421	0	0	8 408 271	8 408 271
Acquired receivables	1 040 723	0	0	1 040 723	1 040 723
Reverse Repo/BSB	501 039	0	0	501 039	501 039
Lease receivables	644 255	0	0	644 255	644 255
Other receivables	371 692	0	0	371 674	371 674
Assets pledged as collateral	561 815	562 251	0	0	562 251
Other assets	671 460	0	0	671 460	671 460
<b>Liabilities</b>					
Amounts due to banks	714 507	0	714 507	0	714 507
Current deposits	1 275	0	1 275	0	1 275
Overnights	39	0	39	0	39
Banking securities issued	22 594	0	22 594	0	22 594
Credit received	284 284	0	284 284	0	284 284
Other liabilities	211 552	0	211 552	0	211 552
Repo	194 763	0	194 763	0	194 763
Amounts due to customers	54 731 530	0	0	54 729 459	54 729 459
Current deposits	28 671 301	0	0	28 671 301	28 671 301
Term deposits	22 487 554	0	0	22 487 554	22 487 554
Own issue of Banking Securities	3 140 047	0	0	3 137 976	3 137 976
Other liabilities	432 628	0	0	432 628	432 628
Other liabilities	664 452	0	0	664 452	664 452
Subordinated loans	1 169 760	0	0	1 169 760	1 169 760

31.12.2016 Restated data	Carrying amount	Fair value			Total
		Level1	Level2	Level3	
<b>Assets</b>					
Cash and balances with the Central Bank	1 082 991	1 082 991	0	0	1 082 991
Investment securities held to maturity	1 954	1 919	0	0	1 919
Amounts due from banks	1 366 316	0	1 366 316	0	1 366 316
Loans and advances to customers	46 247 188	0	0	45 577 848	45 577 848
Retail segment	25 889 424	0	0	25 384 235	25 384 235
Working capital facility	293 951	0	0	294 734	294 734
Consumer loans	14 296 448	0	0	14 016 117	14 016 117
Consumer finance loans	1 256 762	0	0	1 246 010	1 246 010
Loans for purchase of securities	125 117	0	0	125 165	125 165
Credit card borrowings loans	624 966	0	0	985 514	985 514
Loans for residential real estate	8 407 632	0	0	7 874 080	7 874 080
Other mortgage loans	833 485	0	0	791 519	791 519
Other receivables	51 063	0	0	51 096	51 096
Corporate segment	20 357 764	0	0	20 193 611	20 193 611
Working capital facility	10 749 077	0	0	10 682 290	10 682 290
Car loans	131 971	0	0	135 064	135 064
Investment loans	7 486 754	0	0	7 391 158	7 391 158
Acquired receivables	794 087	0	0	794 975	794 975
Reverse Repo/BSB	680 780	0	0	680 780	680 780
Lease receivables	280 808	0	0	280 808	280 808
Other receivables	234 287	0	0	228 536	228 536
Assets pledged as collateral	366 984	363 067	0	0	363 067
Other assets	653 852	0	0	653 852	653 852
<b>Liabilities</b>					
Amounts due to banks	428 640	0	428 640	0	428 640
Current deposits	32 304	0	32 304	0	32 304
Overnights	856	0	856	0	856
Term deposits	0	0	0	0	0
Banking securities issued	20 004	0	20 004	0	20 004
Credit received	180 954	0	180 954	0	180 954
Other liabilities	164 710	0	164 710	0	164 710
Repo	29 812	0	29 812	0	29 812
Amounts due to customers	51 368 701	0	0	51 363 662	51 363 662
Current deposits	25 791 089	0	0	25 791 089	25 791 089
Term deposits	22 288 222	0	0	22 288 222	22 288 222
Own issue of Banking Securities	2 768 672	0	0	2 763 633	2 763 633
Other liabilities	520 718	0	0	520 718	520 718
Other liabilities	769 029	0	0	769 029	769 029
Subordinated loans	1 164 794	0	0	1 164 794	1 164 794

## 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 2017, 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 income statement presented below was prepared in accordance with the accounting policies adopted by the Group, except for the consolidation of Alior Bank SA and Alior Leasing sp. z o.o., as stated above.

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.

01.01.2017-30.09.2017	
Interest income	2 663 810
Interest expense	-559 510
<b>Net interest income</b>	<b>2 104 300</b>
<b>Dividend income</b>	<b>27</b>
Fee and commission income	608 077
Fee and commission expense	-268 781
<b>Net fee and commission income</b>	<b>339 296</b>
<b>Trading result</b>	<b>268 807</b>
<b>Net result on other financial instruments</b>	<b>1 980</b>
Other operating income	74 977
Other operating costs	-53 983
<b>Net other operating income</b>	<b>20 994</b>
<b>General administrative expenses</b>	<b>-1 392 360</b>
<b>Net impairment allowance and write-downs</b>	<b>-679 677</b>
<b>Banking tax</b>	<b>-149 375</b>
<b>Gross profit</b>	<b>513 992</b>
Income tax	-147 644
<b>Net profit from continuing operations</b>	<b>366 348</b>

Calculation of funds and capital adequacy ratio	30.09.2017	31.12.2016
<b>Total own funds for the capital adequacy ratio</b>	<b>6 921 552</b>	<b>6 346 932</b>
<b>Common equity Tier I capital</b>	<b>5 919 574</b>	<b>5 253 547</b>
<b>Tier II capital</b>	<b>1 001 978</b>	<b>1 093 385</b>
Share paid	1 292 578	1 292 578
Supplementary capital components	4 817 330	4 184 953
Other capital	184 952	184 894
Current year's reviewed by auditor	167 284	161 466
Adjustment of the result from previous years resulting from the final settlement of acquisition of demerged business of Bank BPH	-43 051	0
Revaluation reserve – unrealized losses	-18 916	-80 043
Intangible assets at carrying amount	-492 797	-482 024
Revaluation reserve – unrealized gains	27 505	1 867
Subordinated liabilities	1 001 978	1 093 385
Additional valuation adjustments	-15 311	-10 144
<b>Capital requirements</b>	<b>3 939 494</b>	<b>3 720 992</b>
Capital requirements for the following risks: credit, counterparty, credit	3 439 851	3 238 125

valuation adjustment, dilution and delivery of instruments to be settled at a later date

Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk	3 208	2 687
Capital requirement for general interest rate risks	59 320	65 760
Capital requirements for operating risk	437 115	414 420
<b>Tier 1</b>	<b>12.02%</b>	<b>11.29%</b>
<b>Capital adequacy ratio</b>	<b>14.06%</b>	<b>13.65%</b>

Following the recommendation of the PFSA for the sector in 2016 and 2017, the Bank is obliged to maintain the capital requirement ratio CET1 of at least 10.25% and a total of at least 13.25% of the TCR.

## 27. Off-balance-sheet items

	30.09.2017	31.12.2016 Restated data
Relating to financing	12 060 514	12 979 086
Guarantees	1 273 745	1 504 566
Performance guarantees	322 814	457 515
Financial guarantees	950 931	1 047 051
<b>Off-balance sheet liabilities granted</b>	<b>13 334 259</b>	<b>14 483 652</b>

## 28. Transactions with related parties

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

The related parties of the Group is 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	30.09.2017	31.12.2016
Liabilities		
Amounts due to customers	76	24
Provisions	6	4
<b>Total liabilities</b>	<b>82</b>	<b>28</b>

Subsidiaries of the parent company	30.09.2017	31.12.2016
Assets		
Financial assets held for trading	588	0
Available-for-sale financial assets	82 813	84 961
Derivative hedging instruments	459	0
Amounts due from banks	273	0
Loans and advances to customers	24	41
<b>Total assets</b>	<b>84 157</b>	<b>85 002</b>
Liabilities and Equity		
Financial liabilities held for trading	31	0
Amounts due to banks	901	0
Amounts due to customers	166 338	128 703
Provisions	5	0
Other liabilities	1	0
Revaluation reserve	1 509	0
<b>Total liabilities and equity</b>	<b>168 785</b>	<b>128 706</b>

	30.09.2017	31.12.2016
<b>Off-balance sheet liabilities granted to customers</b>	<b>15 000</b>	<b>15 000</b>
Guarantees	15 000	15 000

Subsidiaries of the parent company	30.09.2017	31.12.2016
<b>Off-balance sheet liabilities granted to customers</b>	<b>10 226</b>	<b>9 900</b>
Relating to financing	226	0
Guarantees	10 000	9 900

Joint control by persons related to the Group	30.09.2017	31.12.2016
Assets		
Loans and advances to customers	7	0
<b>Total assets</b>	<b>7</b>	<b>0</b>
Liabilities		
Amounts due to customers	24 542	56 176
<b>Total liabilities</b>	<b>24 542</b>	<b>56 176</b>

Joint control by persons related to the Group	30.09.2017	31.12.2016
<b>Off-balance-sheet liabilities granted to customers</b>	<b>50</b>	<b>20</b>
Relating to financing	50	20

Parent company	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Interest expense	-8	0
Fee and commission income	8 391	3
<b>Total</b>	<b>8 383</b>	<b>3</b>

Subsidiaries of the parent company	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Interest income	636	0
Interest expense	-3 238	-1 675
Fee and commission income	61	20
Fee and commission expense	-6	-1
Trading result	-2 593	0
Net gain (realized) on other financial instruments	33	0
<b>Total</b>	<b>-5 107</b>	<b>-1 656</b>

Joint control by persons related to the Group	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Interest expense	-516	-99
Fee and commission income	13	0
<b>Total</b>	<b>-503</b>	<b>-99</b>

### Nature of transactions with related entities

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

The interest rates on loans granted to related entities fell within the range of 1.66% to 10%, and the interest rates on deposits were within the range of 0% to 1.80%.

## 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	30.09.2017	31.12.2016
<b>Assets</b>		
Financial assets held for trading	99 514	0
Available-for-sale financial assets	7 007 072	6 586 920
Investment securities held to maturity	219 938	219 855
Amounts due from banks	736	1 605
Loans and advances to customers	30 281	47 203
<b>Total assets</b>	<b>7 357 541</b>	<b>6 855 583</b>
<b>Liabilities</b>		
Financial liabilities held for trading	161 558	0
Amounts due to banks	246	0
Amounts due to customers	1 711 214	478 789
<b>Total liabilities</b>	<b>1 873 018</b>	<b>478 789</b>

State Treasury and related entities	01.01.2017 - 30.09.2017
Interest income	101 871
Interest expense	12 209
The costs of paid tax	-317 176
<b>Total</b>	<b>-203 096</b>

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

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

30.09.2017	Supervisory and Board members	Supervisory Board	Management Board
<b>Assets</b>			
Financial assets held for trading	3	3	0
Loans and advances to customers	365	0	365
<b>Total assets</b>	<b>368</b>	<b>3</b>	<b>365</b>
<b>Liabilities</b>			
Amounts due to customers	8 632	1 466	7 166
<b>Total liabilities</b>	<b>8 632</b>	<b>1 466</b>	<b>7 166</b>

30.09.2017	Supervisory and Board members	Supervisory Board	Management Board
<b>Off-balance sheet liabilities granted to customers</b>			
Relating to financing	16	0	16

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

31.12.2016	Suprvisory and Board members	Supervisory Board	Management Board
<b>Off-balance sheet liabilities granted to customers</b>			
Relating to financing	47	47	0

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

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

These contracts also include a provision stating that the variable remuneration cannot exceed 100% of the fixed salary.

The total remuneration of the Bank's Supervisory Board members and Management Board members performing their duties from 1 January to 30 September 2017 recognized in the Group's profit and loss account for this period amounted to PLN 15 931 thousand (in the period from 1 January to 30 September 2016 it amounted to PLN 13 162 thousand).

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

### 30. Incentive program for senior executives

Alior Bank SA operates the following incentive programs:

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

These programs are a continuation of the programs described in Alior Bank's consolidated financial statements dated on 31 December 2016.

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

In the third quarter of 2017, payments from the management option scheme-the part settled in cash-amounted to PLN 18 884 thousand. Also the management option scheme was evaluated-the part settled in cash; the impact on the Bank's result of this update amounted to PLN +9 295 thousand (presented in note 9). Total liability as at 30 September 2017 amounted to PLN 4 700 thousand (note 22).

### 31. Legal claims

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

The total value of debt collection proceedings brought by the Bank, which were in progress in the three quarters of 2017, amounted to PLN 104 301 thousand(with respect to corporate customers) and PLN 824 434 thousand(with respect to retail customers).

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

The value of disputed claims amounted to PLN 215 046 thousand as at the end of the third quarter of 2017 and PLN 167 567 thousand as at the end of 2016.

The value of provisions for disputed claims amounted to PLN 9 755 thousand as at the end of the third quarter of 2017 and PLN 8 700 thousand as at the end of 2016.

### 32. Acquisition of the demerged business of Bank BPH SA

On 4 November 2016, Alior Bank SA acquired all the primary activities of Bank BPH. The transaction was settled under the acquisition method in accordance with IFRS 3, Business Combinations, the application of which requires, among other things, the recognition and measurement of identifiable assets and liabilities acquired as at the date of acquisition and all non-controlling interests in the acquire, and recognition and measurement of goodwill or gain on bargain purchase. A detailed description of the valuation principles adopted is included in Note 30 to the Consolidated Financial Statements of Alior Bank SA as at 31 December 2016. During the valuation period, further fair value adjustments were made, as presented in the table below.

The table below shows the identifiable assets and liabilities acquired as at the date of acquisition:

Assets	Balance as at 4.11.2016	Fair value adjustments	Adjustments identified during the valuation period	Identifiable acquired assets measured at fair value
Cash and balances with the Central Bank	1 043 097	0	0	1 043 097
Financial assets designated as at fair value through profit or loss	3 691 205	0	0	3 691 205
Amounts due from banks	398 537	0	0	398 537
Loans and advances to customers	8 844 623	364 995	-31 226 <sup>1</sup>	9 178 392
including: loan impairment provision	-782 145	0	0	-782 145

Financial assets available for sale	301 110	0	16 912 <sup>2</sup>	318 022
Property, plant and equipment	247 517	23 160	0	270 677
Intangible assets	144 939	-55 425	0	89 514
Income tax asset	137 394	-63 218	9 199 <sup>3</sup>	83 375
Other assets	197 158	0	6 669 <sup>4</sup>	203 827
<b>TOTAL ASSETS</b>	<b>15 005 580</b>	<b>269 512</b>	<b>1 554</b>	<b>15 276 646</b>

Liabilities	Balance as at 4.11.2016	Fair value adjustments	Adjustments identified during the valuation period	Identifiable acquired liabilities measured at fair value
Amounts due to banks	369 631	0	0	369 631
Amounts due to clients	12 534 361	0	0	12 534 361
Liabilities evidenced by certificates	223 813	0	0	223 813
Provisions	101 326	0	0	101 326
Financial liabilities designated as at fair value through profit or loss	38 249	0	0	38 249
Other liabilities	136 721	20 100	-6 003 <sup>5</sup>	150 818
<b>Total liabilities</b>	<b>13 404 101</b>	<b>20 100</b>	<b>-6 003</b>	<b>13 418 198</b>

1 The amount of the adjustment results from the final determination of the fair value of Bank BPH's loan portfolio.

2 The amount of the adjustment results from the final determination of the fair value of VISA shares.

3 The amount of the adjustment results from the determination of the value of the deferred tax asset relating to the measurement of loan receivables and the recognized liability for unfavorable (incurred) leases.

4 The amount of the adjustment results from the final determination of the fair value of the deferred payment of VISA.

5 The adjustment is due to the final determination of the recognized liability for unfavorable (incurred load) leases.

	BPH	Changes of accounting principles	Fair value adjustments	Adjustments identified during the valuation period	Identifiable acquired net assets measured at fair value
<b>Fair Value of net assets</b>	<b>1 601 479</b>	<b>-22 849</b>	<b>249 412</b>	<b>7 557</b>	<b>1 835 599</b>

### The calculation of bargain purchase (ie. negative goodwill)

The Bank made the final accounting for this business combination and calculated bargain purchase in connection with the acquisition of the demerged part of Bank BPH SA.

The calculation of a bargain purchase is presented in the table below:

Calculation of a bargain purchase	31.12.2016	Adjustments identified during the valuation period	30.09.2017
the price paid to shareholders of BPH from GE Group	1 159 645	0	1 159 645
the price paid to other shareholders of BPH	305 298	0	305 298
receivable from BPH due to adjustments of net assets to a level corresponding to the CET 1 ratio 13.25%	52 194	-31 470	20 724
receivable from GE Group shareholders arising from the adjustment of the purchase price	92 762	-19 138	73 624
the fair value of the net assets of the acquiree	1 828 042	7 557	1 835 599
<b>Gain on a bargain purchase</b>	<b>508 056</b>	<b>-43 051</b>	<b>465 005</b>

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

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

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

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

The Group did not pay dividend for the year 2016.

### 35. Risk management

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

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

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

#### Liquidity risk

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

30.09.2017	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
<b>Assets</b>	<b>9 746</b>	<b>3 552</b>	<b>2 451</b>	<b>3 283</b>	<b>5 726</b>	<b>9 313</b>	<b>20 636</b>	<b>28 939</b>	<b>83 646</b>
Cash and Nostro accounts	2 104	0	0	0	0	0	0	0	2 104
Amounts due from banks	0	426	0	0	0	140	0	0	566
Loans and advances to customers	7 642	1 121	2 445	2 728	4 736	7 585	17 254	24 624	68 135
Securities	0	2 005	6	555	990	1 588	3 382	1 488	10 014
Other assets	0	0	0	0	0	0	0	2 827	2 827
<b>Liabilities and Equity</b>	<b>-31 075</b>	<b>-7 665</b>	<b>-7 233</b>	<b>-4 070</b>	<b>-4 344</b>	<b>-1 856</b>	<b>-2 023</b>	<b>-7 374</b>	<b>-65 639</b>
Amounts due to banks	-1	-195	-15	-1	-2	-222	-89	-225	-750
Amounts due to customers	-31 074	-5 576	-7 064	-3 782	-3 572	-497	-220	-44	-51 829
Own issues	0	-67	-153	-287	-770	-1 137	-1 714	-497	-4 624
Equity	0	0	0	0	0	0	0	-6 608	-6 608
Other liabilities	0	-1 827	0	0	0	0	0	0	-1 827
<b>Balance-sheet gap</b>	<b>-21 329</b>	<b>-4 113</b>	<b>-4 782</b>	<b>-787</b>	<b>1 382</b>	<b>7 457</b>	<b>18 613</b>	<b>21 565</b>	<b>18 007</b>
<b>Accumulated balance-sheet gap</b>	<b>-21 329</b>	<b>-25 442</b>	<b>-30 224</b>	<b>-31 010</b>	<b>-29 628</b>	<b>-22 171</b>	<b>-3 558</b>	<b>18 007</b>	



Derivative instruments - inflows	0	6 400	985	599	862	210	357	47	9 460
Derivative instruments - outflows	0	-6 369	-970	-593	-850	-208	-364	-48	-9 402
<b>Derivative instruments - net</b>	<b>0</b>	<b>31</b>	<b>15</b>	<b>6</b>	<b>12</b>	<b>2</b>	<b>-7</b>	<b>1</b>	<b>58</b>
Guarantee and financial lines	14 089	15	31	81	226	106	28	126	14 702
<b>Off-balance sheet gap</b>	<b>14 089</b>	<b>46</b>	<b>46</b>	<b>87</b>	<b>238</b>	<b>108</b>	<b>21</b>	<b>127</b>	<b>14 760</b>
<b>Total gap</b>	<b>-7 240</b>	<b>-4 067</b>	<b>-4 736</b>	<b>-700</b>	<b>1 620</b>	<b>7 565</b>	<b>18 634</b>	<b>21 565</b>	<b>32 642</b>
<b>Total accumulated gap</b>	<b>-7 240</b>	<b>-11 307</b>	<b>-16 043</b>	<b>-16 742</b>	<b>-15 122</b>	<b>-7 557</b>	<b>11 077</b>	<b>32 642</b>	

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

31.12.2016	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
<b>Assets</b>	<b>11 582</b>	<b>3 860</b>	<b>1 662</b>	<b>2 804</b>	<b>4 739</b>	<b>7 958</b>	<b>18 107</b>	<b>26 056</b>	<b>76 768</b>
Cash and Nostro	1 470	0	0	0	0	0	0	0	1 470
Amounts due from banks	1 503	0	0	0	145	0	0	0	1 648
Loans and advances to customers	8 609	805	1 643	2 154	4 186	6 376	14 378	22 402	60 553
Securities	0	3 055	19	650	408	1 582	3 729	901	10 344
Other assets	0	0	0	0	0	0	0	2 753	2 753
<b>Liabilities and Equity</b>	<b>-29 558</b>	<b>-7 407</b>	<b>-4 911</b>	<b>-4 179</b>	<b>-3 527</b>	<b>-3 353</b>	<b>-1 550</b>	<b>-7 005</b>	<b>-61 490</b>
Amounts due to banks	-63	0	-1	-2	-16	-182	-92	-118	-474
Amounts due to customers	-29 495	-5 287	-4 771	-4 026	-3 004	-1 870	-219	-7	-48 679
Own issues	0	-76	-139	-151	-507	-1 301	-1 239	-677	-4 090
Equity	0	0	0	0	0	0	0	-6 203	-6 203
Other liabilities	0	-2 044	0	0	0	0	0	0	-2 044
<b>Balance-sheet gap</b>	<b>-17 976</b>	<b>-3 547</b>	<b>-3 249</b>	<b>-1 375</b>	<b>1 212</b>	<b>4 605</b>	<b>16 557</b>	<b>19 051</b>	<b>15 278</b>
<b>Accumulated balance-sheet gap</b>	<b>-17 976</b>	<b>-21 523</b>	<b>-24 772</b>	<b>-26 147</b>	<b>-24 935</b>	<b>-20 330</b>	<b>-3 773</b>	<b>15 278</b>	
Derivative instruments – inflows	0	5 473	1 894	671	1 215	740	423	63	10 479
Derivative instruments – outflows	0	-5 474	-1 875	-669	-1 181	-735	-411	-62	-10 407
<b>Derivative instruments – net</b>	<b>0</b>	<b>-1</b>	<b>19</b>	<b>2</b>	<b>34</b>	<b>5</b>	<b>12</b>	<b>1</b>	<b>72</b>
Guarantee and financial lines	13 742	7	12	19	119	107	13	8	14 026
<b>Off-balance sheet gap</b>	<b>13 742</b>	<b>5</b>	<b>31</b>	<b>20</b>	<b>153</b>	<b>113</b>	<b>25</b>	<b>9</b>	<b>14 098</b>
<b>Total gap</b>	<b>-4 233</b>	<b>-3 543</b>	<b>-3 217</b>	<b>-1 354</b>	<b>1 366</b>	<b>4 717</b>	<b>16 582</b>	<b>19 061</b>	<b>29 378</b>
<b>Total accumulated gap</b>	<b>-4 233</b>	<b>-7 773</b>	<b>-10 990</b>	<b>-12 345</b>	<b>-10 979</b>	<b>-6 261</b>	<b>10 320</b>	<b>29 378</b>	

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

### Operational merger

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

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

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

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

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

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

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

### **Payment of deferred variable remuneration for 2013, 2014 and 2015**

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

- 78 626 series A subscription warrants with a par value of PLN 61.84 and 46 542 phantom shares with a par value of PLN 50.43;
- 84 374 series B subscription warrants with a par value of PLN 64.65 and 46 000 phantom shares with a par value of PLN 52.72;
- 94 060 C series subscription warrants with a par value of PLN 66.06 and 47 623 phantom shares with a par value of PLN 53.87.

### **The Financial Supervision Authority's individual recommendation relating to the dividend for 2016**

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

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

As part of the Management Option Scheme for 2013, 2014 and 2015, in July 2017 the Bank is to launched the process of increasing the share capital of the Bank through conditional share capital increase by issuing new ordinary bearer shares of D, E and F series amounting to PLN 58 610 which are 0.2% of all possible exercisable rights granted to the participants of the Subscription Warrants (nominal value of the program is PLN 29 792 660.00). The new issue is addressed to managers and will be equal to 0.005% of currently issued shares.

On 29 August 2017, the following ordinary bearer shares of the Bank, with a nominal value of PLN 10 (ten zlotys) each and assigned ISIN code "ALIOR00045", was registered with the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych SA) :

- 2 776 (two thousand seven hundred seventy six) series D shares;
- 2 785 (two thousand seven hundred eighty five) series E shares;
- 300 (three hundred) series F shares.

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

#### **Settlement of the issue of series J bonds**

On 11 th August 2017 the issuance of series J bonds was completed and settled. The basic parameters of this issue are as follows:

- the total nominal value of PLN 250 000 000 (two hundred and fifty million zlotys),
- the interest rate of the bonds is variable, based on the WIBOR6M reference rate increased by a margin of 1.19%,
- the bonds are unsecured,
- the redemption date is 11 August 2020.

#### **Establishment of the Second Public Bond Issue Program of Alior Bank SA**

On 23 August 2017, the Bank's Supervisory Board, as requested by the Management Board, approved the opening of the Second Public Bond Issue Program of Alior Bank SA "The Second Public Issue Program" and authorized the Bank's Management to repeatedly incur financial liabilities by issuing unsecured, ordinary or subordinated, bearer bonds with a nominal value of PLN 100 or multiples of that amount each under the Second Public Issue Program. The basic parameters of this Program are as follows:

- the total number of Bonds issued under the Second Public Issue Program will not exceed 12 000 000 (twelve million) of Bonds, but in any case the aggregate par value of the Bonds issued under the Second Public Issue Program may not exceed PLN 1 200 000 000 (one billion and two hundred million zlotys),
- the Bonds will be issued and offered in series within a period of no more than 12 months from the date of approval by the Financial Supervision Authority of the base prospectus prepared in connection with the Second Public Issue Program,
- the maturity of the Bonds issued under the Second Public Issue Program will be up to 10 years from the issue date of a given Bond Series,
- the Bonds may be issued as Bonds or Subordinated Bonds, the terms and conditions for issuing individual series of Subordinated Bonds will include provisions for qualifying them as a component of own funds in accordance with Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending EU Regulation No 648/2012,
- benefits arising from the Bonds will only be monetary,
- the Bonds will be issued under art. 33 point 1 of the Bonds Act,
- the Bonds will not be in the form of a document and will be registered in a securities depository maintained pursuant to the provisions of the Act of 29 July 2005 on Trading in Financial Instruments under the agreement with the National Depository for

Securities ("KDPW") or the company referred to in art. 5 par. 10 of the Trading Act, in case of handing over by the KDPW the performance of duties within the scope of tasks referred to in Art. 48 par.1 point 1 of the Trading Act,

- The Bank's Management Board will apply for admission and introduction of the Bonds to trading on the regulated market of the Warsaw Stock Exchange SA or BondSpot within the Catalyst system or for the Bonds to be traded on the Alternative Trading System operated by the Warsaw Stock Exchange or BondSpot under the Catalyst system.

In addition, the Bank's Supervisory Board authorized the Bank's Management Board to determine the terms and conditions for the issue of individual Series of Bonds issued under the Second Public Issue Program, to allocate Bonds to investors, and to undertake any other actions to implement the Second Public Issue Program.

The Management Board intends to apply to the Financial Supervision Authority for approval of the base prospectus prepared in connection with public offerings and for the admission and introduction of Bonds issued under the Second Public Issue Program to trading on a regulated market.

The Supervisory Board of the Bank, as requested by the Management Board of the Bank, also agreed to cease issuing bonds under the existing Public Issue Program of Alior Bank SA Subordinated Bonds, established by Resolution No. 407/2015 of the Bank's Management Board dated 22 December 2015 and approved by resolution no. 83/2015 of the Bank's Supervisory Board of 28 December 2015 ("The First Public Issue Program") and the closure of the First Public Issue Program.

### **37. Significant events after the end of the reporting period**

#### **Private issue of series K and series K1 subordinated bonds**

After the completion of the book building process the Management Board of the Bank adopted a resolution on the issuance of not more than 400 000 (four hundred thousand) K series subordinated bearer Bonds without a documentary form of the nominal value of PLN 1 000 (one thousand Polish zlotys) each and the total nominal value not higher than PLN 400 000 000 (four hundred million Polish zlotys).

The Management Board of Alior Bank S.A. informed that due to the high demand for Series K Bonds declared by the investors during the book building process, it took a decision on the additional issuance of not more than 200 000 (two hundred thousand) K1 Series subordinated bearer Bonds without a documentary form of the nominal value of PLN 1 000 (one thousand Polish zlotys) each and the total nominal value not higher than PLN 200 000 000 (two hundred million Polish zlotys). The issue of subordinated bonds of series K and series K1 was settled on 20 October 2017.

#### **Convening the Extraordinary General Meeting of Alior Bank SA at the request of a Shareholder of the Company**

The Management Board of Alior Bank SA acting pursuant to Article 399 § 1, Article 400 § 1 and 2 and Article 4021 § 1 of the Code of Commercial Companies hereby convened the Extraordinary General Meeting of the Bank's shareholders on 31 October 2017.

More details in Note 1.4.

### **Approval of the prospectus for the Second Public Bonds Issuance Programme of Alior Bank SA**

On 13 October 2017 the Polish Financial Supervision Authority approved the Banks' prospectus that has been drawn up in connection with:

- public offerings on the territory of the Republic of Poland of up to 12 000 000 unsecured bearer bonds with a nominal value of PLN 100 each to be issued under the Second Public Bonds Issuance Programme of Alior Bank SA with the nominal value up to PLN 1 200 000 000;
- intention to apply for admission and introduction of the Bonds to trading on the regulated market operated by the Warsaw Stock Exchange within the Catalyst system.

On the basis of the Prospectus, the Bank may issue both ordinary and subordinated bonds.

More information is available at note 36: Opening of the Second Public Bond Issue Program of Alior Bank SA.

### **Resolution of the Alior Bank's Management Board on adoption of the plan for the implementation of the Bank's Strategy for 2017-2020**

On 3 October 2017 the Management Board of Alior Bank SA adopted a resolution approving the plan for the implementation of the Bank's Strategy for 2017-2020.

### **Signing of the Letter of Intent with Bank Polska Kasa Opieki SA on commencement of preliminary discussions on co-operation**

On 23 October 2017, Alior Bank SA and Bank Polska Kasa Opieki SA signed a letter of intent regarding their intent to enter into preliminary discussions concerning potential cooperation strategies that they could develop in order to bring additional value to their shareholders and clients, which could lead to preliminary discussions and analysis, including potential and upon applicable authorisations, exchange of information, concerning the feasibility of cooperation through various potential arrangements.

The Management Board of Alior Bank SA underlined that for the time being, no decisions regarding the choice of the potential co-operation scenario as well as its terms and conditions were made. The work performed so far has not been conclusive for the Management Board of Alior Bank SA to recommend any potential co-operation scenario.

### **Contract of order for periodical granting of insurance guarantees which constitute unrealistic credit protection within the meaning of the CRR Regulation concluded with PZU SA**

On 8 November 2017, Alior Bank entered into an agreement with PZU SA for the periodical provision of insurance guarantees for unfunded credit protection within the meaning of CRR. In addition, PZU SA has entered into a framework agreement with a counterparty to provide periodic counter-guarantees securing performance of the PZU SA's obligations to the Bank.

The subject of the contract for the periodical guarantee is the specification of the rules of granting by PZU SA guarantees within the limit of exposure committed, on behalf of and for the benefit of the Bank. The exposure limit for guarantees provided under the agreement amounts to PLN 5 billion. The validity period is 3 years. The limit is renewable, which means that the expiry of the guarantees granted within the limit renews it by the "released" amount less the amount of possible disbursements from the guarantee. The maximum duration of the

guarantee granted under the agreement is 3 years plus the period for claiming. The Bank's own interest in receivables from loan receivables is 10%.

The amount of the guarantee fee will be affected by, inter alia, the amount of the guarantee sum, the quality of the guarantee portfolio, the depreciation of the portfolio and the counter-guarantee premium.

### 38. Rating

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

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

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

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

The definitions of the Fitch ratings are available on the Agency's website: [www.fitchratings.com](http://www.fitchratings.com), where ratings, criteria and methodologies are also published.

### 39. Financial forecasts

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

### 40. The First Public Bond Issue Program

By 30 September 2017, the Bank carried out issues of two series of subordinated bonds under the Public Issue Program:

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

On 23 August 2017, the Bank's Supervisory Board approved the closure of the First Public Issue Program.

### 41. Registered audit company

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



Interim condensed separate  
financial statements  
of Alior Bank Spółka Akcyjna

for the third quarter of 2017

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## Interim condensed separate income statement

	01.07.2017 - 30.09.2017	01.01.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2016 - 30.09.2016*
Interest income	901 022	2 656 265	654 599	1 845 239
Interest expense	-178 994	-557 703	-165 447	-500 621
<b>Net interest income</b>	<b>722 028</b>	<b>2 098 562</b>	<b>489 152</b>	<b>1 344 618</b>
<b>Dividend income</b>	<b>25</b>	<b>27</b>	<b>17</b>	<b>51</b>
Fee and commission income	200 058	594 751	136 239	411 093
Fee and commission expense	-101 408	-266 715	-59 561	-170 107
<b>Net fee and commission income</b>	<b>98 650</b>	<b>328 036</b>	<b>76 678</b>	<b>240 986</b>
<b>Trading result</b>	<b>97 038</b>	<b>268 597</b>	<b>78 057</b>	<b>208 818</b>
<b>Net gain (realized) on other financial instruments</b>	<b>814</b>	<b>1 980</b>	<b>214</b>	<b>20 980</b>
Other operating income	21 603	73 584	13 708	43 654
Other operating costs	-21 892	-53 801	-13 006	-36 051
<b>Net other operating income</b>	<b>-289</b>	<b>19 783</b>	<b>702</b>	<b>7 603</b>
<b>General administrative expenses</b>	<b>-388 928</b>	<b>-1 357 233</b>	<b>-292 569</b>	<b>-845 930</b>
<b>Net impairment charges and write-downs</b>	<b>-208 742</b>	<b>-673 272</b>	<b>-197 598</b>	<b>-544 728</b>
<b>Banking tax</b>	<b>-50 647</b>	<b>-149 375</b>	<b>-34 680</b>	<b>-87 610</b>
<b>Profit before tax</b>	<b>269 949</b>	<b>537 105</b>	<b>119 973</b>	<b>344 788</b>
Income tax	-75 129	-151 908	-30 540	-86 936
<b>Net profit</b>	<b>194 820</b>	<b>385 197</b>	<b>89 433</b>	<b>257 852</b>
<b>Net profit</b>	<b>194 820</b>	<b>385 197</b>	<b>89 433</b>	<b>257 852</b>
<b>Weighted average number of ordinary shares</b>	<b>129 259 802</b>	<b>129 258 450</b>	<b>129 257 712</b>	<b>93 139 852</b>
<b>Basic earnings per share (in PLN)</b>	<b>1.51</b>	<b>2.98</b>	<b>0.69</b>	<b>2.77</b>
<b>Diluted earnings per share (in PLN)</b>	<b>1.48</b>	<b>2.92</b>	<b>0.68</b>	<b>2.68</b>

\*Explanations in note 3 Changes in Presentation

## Interim condensed separate statement of comprehensive income

	01.07.2017 - 30.09.2017*	01.01.2017 - 30.09.2017	01.07.2016 - 30.09.2016	01.01.2016 - 30.09.2016
<b>Net profit</b>	<b>194 820</b>	<b>385 197</b>	<b>89 433</b>	<b>257 852</b>
<b>Items that may be reclassified to the income statement after certain conditions are satisfied</b>	<b>34 853</b>	<b>75 206</b>	<b>-10 578</b>	<b>-29 073</b>
Foreign operations currency translation differences	-52	25	16	16
Fair valuation of financial assets available for sale (net)	30 912	65 495	-3 604	-11 467
Profit/loss on fair valuation of financial assets available for sale	37 517	79 887	-4 450	-14 157
Deferred tax	-6 605	-14 392	846	2 690
Net gains/losses on hedging instruments	3 993	9 686	-6 990	-17 622
Gains/losses on hedging instruments	4 767	11 411	-8 630	-21 756
Deferred tax	-774	-1 725	1 640	4 134
<b>Total comprehensive income, net</b>	<b>229 673</b>	<b>460 403</b>	<b>78 855</b>	<b>228 779</b>

The notes presented on pages 53-56 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of financial position

<b>ASSETS</b>	<b>30.09.2017</b>	<b>31.12.2016 Restated data*</b>
Cash and balances with the Central Bank	1 780 022	1 082 991
Financial assets held for trading	480 704	419 551
Available-for-sale financial assets	8 880 108	9 374 646
Investment securities held to maturity	0	1 954
Derivative hedging instruments	75 123	71 684
Amounts due from banks	887 974	1 364 226
Loans and advances to customers	50 078 792	46 248 623
Assets pledged as collateral	561 815	366 984
<i>including: pledged Repo</i>	194 685	29 783
Property, plant and equipment	447 046	483 520
Intangible assets	488 636	480 913
Investments in subsidiaries	102 025	72 359
Non-current assets held for sale	434	679
Income tax asset	513 659	532 570
<i>Deferred</i>	513 659	532 570
Other assets	610 636	662 095
<b>TOTAL ASSETS</b>	<b>64 906 974</b>	<b>61 162 795</b>

<b>LIABILITIES AND EQUITY</b>	<b>30.09.2017</b>	<b>31.12.2016 Restated data</b>
Financial liabilities held for trading	403 995	298 314
Amounts due to banks	564 470	381 235
Amounts due to customers	54 744 017	51 404 848
Derivative hedging instruments	4 713	6 119
Provisions	122 386	286 791
Other liabilities	1 210 652	1 427 757
Income tax liabilities	46 405	13 125
<i>Current</i>	46 405	13 125
Subordinated loans	1 169 760	1 164 794
<b>Total liabilities</b>	<b>58 266 398</b>	<b>54 982 983</b>
<b>Equity</b>	<b>6 640 576</b>	<b>6 179 812</b>
Share capital	1 292 578	1 292 578
Supplementary capital	4 817 331	4 184 953
Revaluation reserve	3 566	-71 615
Other reserves	184 952	184 894
Foreign currency translation differences	3	-22
Accumulated losses	-43 051	0
Profit for the year	385 197	589 024
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>64 906 974</b>	<b>61 162 795</b>

\*Explanations in note 4 Restatement of comparable data in connection with settlement of the acquisition of the demerged business of Bank BPH SA

The notes presented on pages 53-56 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of changes in equity

1.01.2017- 30.09.2017	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
<b>1 January 2017</b>	<b>1 292 578</b>	<b>4 184 953</b>	<b>184 894</b>	<b>-71 615</b>	<b>-22</b>	<b>589 024</b>	<b>6 179 812</b>
Transfer of the previous year result	0	632 075	0	0	0	-632 075	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75 181</b>	<b>25</b>	<b>385 197</b>	<b>460 403</b>
net profit	0	0	0	0	0	385 197	385 197
other comprehensive income	0	0	0	75 181	25	0	75 206
<b>Share issue</b>	<b>0</b>	<b>303</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>361</b>
<b>30 September 2017</b>	<b>1 292 578</b>	<b>4 817 331</b>	<b>184 952</b>	<b>3 566</b>	<b>3</b>	<b>342 146</b>	<b>6 640 576</b>

1.01.2016- 30.09.2016	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
<b>1 January 2016</b>	<b>727 075</b>	<b>2 280 668</b>	<b>184 894</b>	<b>15 215</b>	<b>0</b>	<b>311 415</b>	<b>3 519 267</b>
Transfer of the previous year result	0	311 415	0	0	0	-311 415	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-29 089</b>	<b>16</b>	<b>257 852</b>	<b>228 779</b>
net profit	0	0	0	0	0	257 852	257 852
other comprehensive income	0	0	0	-29 089	16	0	-29 073
<b>Share issue</b>	<b>565 502</b>	<b>1 579 387</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 144 889</b>
<b>30 September 2016</b>	<b>1 292 577</b>	<b>4 171 470</b>	<b>184 894</b>	<b>-13 874</b>	<b>16</b>	<b>241 742</b>	<b>5 892 935</b>

1.01.2016- 31.12.2016 Restated date*	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
<b>1 January 2016</b>	<b>727 075</b>	<b>2 280 668</b>	<b>184 894</b>	<b>15 215</b>	<b>0</b>	<b>311 415</b>	<b>3 519 267</b>
Transfer of the previous year result	0	311 415	0	0	0	-311 415	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-86 830</b>	<b>-22</b>	<b>589 024</b>	<b>502 172</b>
net profit	0	0	0	0	0	589 024	589 024
other comprehensive income	0	0	0	-86 830	-22	0	-86 852
<b>Share issue</b>	<b>565 503</b>	<b>1 592 870</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 158 373</b>
<b>31 December 2016</b>	<b>1 292 578</b>	<b>4 184 953</b>	<b>184 894</b>	<b>-71 615</b>	<b>-22</b>	<b>589 024</b>	<b>6 179 812</b>

\*Explanations in note 4 Restatement of comparable data in connection with settlement of the acquisition of the demerged business of Bank BPH SA

The notes presented on pages 53-56 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of cash flows

	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
<b>Operating activities</b>		
<b>Profit before tax for the year</b>	<b>537 105</b>	<b>344 788</b>
<b>Adjustments:</b>	<b>2 775</b>	<b>85 655</b>
Unrealized foreign exchange gains/losses	4 991	632
Amortization/depreciation of tangible and intangible assets	146 511	68 158
Change in impairment loss of tangible fixed and intangible assets	15 620	14 611
Change in provisions	-164 405	2 254
Share-based payments	58	0
<b>Gross profit after adjustments and before changing balances</b>	<b>539 880</b>	<b>430 443</b>
Change in loans and receivables	-3 423 854	-4 148 407
Change in financial assets available for sale	494 538	-1 141 358
Change in investment securities held to maturity	1 954	0
Change in financial assets held for trading	-61 153	80 629
Change in assets pledged as collateral	-194 831	-379 572
Change in hedging asset derivatives	-3 439	77 447
Change in non-current assets held for sale	245	281
Change in other assets	-100 449	94 157
Change in deposits	3 034 614	3 385 297
Change in issued debt	371 375	306 326
Change in financial liabilities held for trading	105 681	-77 614
Change in hedging liabilities derivative	-1 406	0
Change in other liabilities and other comprehensive income	18 676	323 587
Net cash flow from operating activities before income tax	781 831	-1 479 227
Income tax paid	52 191	-184 593
<b>Net cash flow from operating activities</b>	<b>834 022</b>	<b>-1 663 820</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-201 896</b>	<b>-1 550 188</b>
Purchase of property, plant and equipment	-100 345	-24 350
Purchase of intangible assets	-71 885	-29 733
Investments in subsidiaries	-29 666	-31 172
Prepayment for share purchase	0	-1 464 933
<b>Inflows:</b>	<b>38 877</b>	<b>4 037</b>
Dividend received	27	0
Disposal of tangible fixed assets	38 850	4 037
<b>Net cash flow from investing activities</b>	<b>-163 019</b>	<b>-1 546 151</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-43 909</b>	<b>-40 012</b>
Interest expense – subordinated liabilities	-43 909	-40 012
<b>Inflows:</b>	<b>0</b>	<b>2 408 976</b>
Inflows from share issue	0	2 144 889
Inflows from the issuance of subordinated liabilities	0	264 087
<b>Net cash flow from financing activities</b>	<b>-43 909</b>	<b>2 368 964</b>
<b>Total net cash flow</b>	<b>627 094</b>	<b>-841 007</b>
incl. exchange gains/(losses)	-60 813	-10 876
<b>Balance sheet change in cash and cash equivalents</b>	<b>627 094</b>	<b>-841 007</b>
Cash and cash equivalents, opening balance	1 707 153	2 202 212
Cash and cash equivalents, closing balance	2 334 247	1 791 648
<b>Additional disclosures on operating cash flows</b>		
Interests received	2 415 118	2 182 013
Interests paid	-509 493	-753 140

The notes presented on pages 53-56 constitute an integral part of these interim condensed separate financial statements.

## 1. Basis for preparation

### Scope and comparatives

The condensed interim separate financial statements of Alior Bank SA comprise the data of the Bank and cover the 9-month period ended 30 September 2017 and the comparatives for the 9-month period ended 30 September 2016 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of financial position, separate statement of changes in equity and separate statement of cash flows) and the comparatives as at 31 December 2016 (with respect to the separate statement of financial position). The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

### Statement of compliance

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

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

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

### Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared based on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date, i.e. after 30 September 2017. As at the date of approval of these interim condensed financial statements, the Bank's Management Board is not aware of any circumstances that would have 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 2016, published on 9 March 2017 and available on the Alior Banku SA website.

### 3. Changes in presentation

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

	were presented		Change		Restated	
	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
Interest income	722 630	2 078 127	-68 031	-232 888	654 599	1 845 239
Interest income from financial instruments measured at amortized cost including the effective interest rate method	621 668	1 745 839	0	0	621 668	1 745 839
term deposits	472	1 291	0	0	472	1 291
loans	581 782	1 632 018	0	0	581 782	1 632 018
financial assets available for sale	34 081	92 365	0	0	34 081	92 365
receivables acquired	2 956	14 845	0	0	2 956	14 845
other	2 377	5 320	0	0	2 377	5 320
Other interest income	100 962	332 288	-68 031	-232 888	32 931	99 400
current accounts	4 689	13 237	0	0	4 689	13 237
overnight deposits	352	686	0	0	352	686
derivative hedging instruments	95 921	318 365	-68 031	-232 888	27 890	85 477
Interest expense	-233 478	-733 509	68 031	232 888	-165 447	-500 621
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-133 121	-415 383	0	0	-133 121	-415 383
term deposits	-97 216	-311 023	0	0	-97 216	-311 023
repo transactions in securities	-3 118	-9 217	0	0	-3 118	-9 217
cash deposits	-504	-2 744	0	0	-504	-2 744
own issue	-31 754	-90 806	0	0	-31 754	-90 806
other	-529	-1 593	0	0	-529	-1 593
Other interest expense	-100 357	-318 126	68 031	232 888	-32 326	-85 238
current deposits	-11 024	-27 036	0	0	-11 024	-27 036
derivative hedging instruments	-89 333	-291 090	68 031	232 888	-21 302	-58 202
<b>Net interest income</b>	<b>489 152</b>	<b>1 344 618</b>	<b>0</b>	<b>0</b>	<b>489 152</b>	<b>1 344 618</b>

### 4. Restatement of comparative data in connection with settlement of the acquisition of the demerged business of Bank BPH SA

Due to the completion of the process of final settlement of the acquisition of the demerged business of Bank BPH SA, the data as of 31 December 2016 was retrospectively restated. Additional information related to this settlement is presented in Note 32 to the interim condensed consolidated financial statements of the Alior Bank Capital Group.

ASSETS	31.12.2016 approved	Correction	31.12.2016 restated
Cash and balances with the Central Bank	1 082 991	0	1 082 991
Financial assets held for trading	419 551	0	419 551
Available-for-sale financial assets	9 357 734	16 912	9 374 646
Investment securities held to maturity	1 954	0	1 954
Derivative hedging instruments	71 684	0	71 684
Amounts due from banks	1 364 226	0	1 364 226
Loans and advances to customers	46 279 849	-31 226	46 248 623
Assets pledged as collateral	366 984	0	366 984
<i>including: pledged assets</i>	29 783	0	29 783
Property, plant and equipment	483 520	0	483 520
Intangible assets	480 913	0	480 913
Investments in subsidiaries	72 359	0	72 359
Non-current assets held for sale	679	0	679
Income tax asset	523 371	9 199	532 570
<i>Deferred</i>	523 371	9 199	532 570
Other assets	706 034	-43 939	662 095
<b>Total Assets</b>	<b>61 211 849</b>	<b>-49 054</b>	<b>61 162 795</b>

LIABILITIES AND EQUITY	31.12.2016 approved	Correction	31.12.2016 restated
Financial liabilities held for trading	298 314	0	298 314
Amounts due to banks	381 235	0	381 235
Amounts due to customers	51 404 848	0	51 404 848
Derivative hedging instruments	6 119	0	6 119
Provisions	286 791	0	286 791
Other liabilities	1 433 760	-6 003	1 427 757
Income tax liabilities	13 125	0	13 125
<i>Current</i>	13 125	0	13 125
Subordinated loans	1 164 794	0	1 164 794
Kapitał własny	6 222 863	0	6 222 863
Share capital	1 292 578	0	1 292 578
Supplementary capital	4 184 953	0	4 184 953
Revaluation reserve	-71 615	0	-71 615
Other reserves	184 894	0	184 894
Foreign currency translation differences	-22	0	-22
Accumulated losses	632 075	-43 051	589 024
<b>Total Liabilities and equity</b>	<b>61 211 849</b>	<b>-49 054</b>	<b>61 162 795</b>

## 5. Off-balance sheet items

Off-balance sheet items are described in Note 26 to the interim condensed consolidated financial statements.

## 6. Transactions with related entities

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:

Subsidiaries	30.09.2017	31.12.2016
<b>Assets</b>		
Loans and advances to customers	859 040	370 250
Other assets	2 528	4 760
<b>Total assets</b>	<b>861 568</b>	<b>375 010</b>
<b>Liabilities</b>		
Amounts due to customers	28 350	40 267
Provisions	226	125
Other liabilities	2 201	854
<b>Total liabilities</b>	<b>30 777</b>	<b>41 246</b>

Subsidiaries	30.09.2017	31.12.2016
<b>Off-balance sheet liabilities granted</b>	<b>411 317</b>	<b>130 972</b>
Relating to financing	232 597	75 230
Guarantees	178 720	55 742

Subsidiaries	01.01.2017 – 30.09.2017	01.01.2016 – 30.09.2016
Interest income	14 661	3 098
Interest expense	-20	-49
Fee and commission income	5 172	2 343
Other operating income	83	0
Other operating expense	-1	0
General administrative expenses	-4 146	-2 009
Net impairment charges and write-downs	-131	0
<b>Total</b>	<b>15 618</b>	<b>3 383</b>

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

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