



Financial report
of the Alior Bank Spółka Akcyjna Group

for the first half of 2019

Selected financial data

PLN	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018 Restated	% (A-B)/B
	A		B	C
Net interest income	1 632 295	3 084 524	1 500 940	8.8%
Net fee and commission income	328 785	709 999*	347 469	-5.4%
Trading result & other	71 416	161 026*	114 398	-37.6%
Net expected credit losses impairment allowances and write-downs	-777 251	-1 054 069	-482 823	61.0%
General administrative expenses	-905 955	-1 705 003	-886 253	2.2%
Gross profit	239 089	988 291	490 830	-51.3%
Net profit	157 799	713 373	354 293	-55.5%
Net cash flow	353 235	464 272	415 794	-15.0%
Loans and advances to customers	56 664 314	54 245 924	52 433 745	8.1%
Amounts due to customers	64 885 845	62 435 585	59 645 174	8.8%
Equity	6 654 001	6 485 923	6 135 034	8.5%
Total assets	77 058 388	73 419 887	70 337 258	9.6%
Selected ratios				
Profit per ordinary share (PLN)	1.21	5.49	2.74	-55.8%
Capital adequacy ratio	15.84%	15.85%	15.27%	3.7%
Tier 1	12.92%	12.81%	12.05%	7.2%

EUR	01.01.2019 - 30.06.2019	01.01.2018 - 31.12.2018	01.01.2018 - 30.06.2018 Restated	% (A-B)/B
	A		B	C
Net interest income	380 666	722 896	354 037	7.5%
Net fee and commission income	76 676	166 397*	81 960	-6.4%
Trading result & other	16 655	37 738*	26 984	-38.3%
Net expected credit losses impairment allowances and write-downs	-181 262	-247 034	-113 887	59.2%
General administrative expenses	-211 277	-399 588	-209 047	1.1%
Gross profit	55 758	231 618	115 775	-51.8%
Net profit	36 800	167 188	83 570	-56.0%
Net cash flow	82 378	108 808	98 076	-16.0%
Loans and advances to customers	13 326 508	12 615 331	12 021 677	10.9%
Amounts due to customers	15 260 076	14 519 903	13 675 067	11.6%
Equity	1 564 911	1 508 354	1 406 602	11.3%
Total assets	18 122 857	17 074 392	16 126 481	12.4%
Selected ratios				
Profit per ordinary share (PLN)	0.28	1.29	0.65	-56.9%
Capital adequacy ratio	15.84%	15.85%	15.27%	3.7%
Tier 1	12.92%	12.81%	12.05%	7.2%

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

Selected items of the consolidated financial statements were translated into EUR at the following exchange rates	30.06.2019	31.12.2018	30.06.2018
NBP's average exchange rate as at the end of the period	4.2520	4.3000	4.3616
NBP's average exchange rates as at the last day of each month of the period	4.2880	4.2669	4.2395

Selected financial indicators

	30.06.2019 (A)	30.06.2018 Restated (B)	(A-B) [p.p]	(A-B)/B [%]
ROE	4.84%	12.10%	-7.26	-60.00%
ROA	0.42%	1.03%	-0.61	-59.22%
C/I	44.57%	45.15%	-0.58	-1.28%
CoR	-2.59%	-1.74%	-0.85	48.85%
L/D	87.33%	87.91%	-0.58	-0.66%
NPL	12.24%	10.80%	1.44	13.33%
NPL	54.48%	51.00%	3.48	6.82%
TCR	15.84%	15.27%	0.57	3.71%
TIER 1	12.92%	12.05%	0.87	7.18%



Interim condensed consolidated
financial statements
of the Alior Bank Spółka Akcyjna Group
for the first half of 2019

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

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Interim condensed consolidated income statement

	Note number	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated*	01.01.2018 - 30.06.2018 Restated*
Interest income		1 007 057	1 990 675	939 599	1 852 496
Income of a similar nature		38 603	75 071	52 175	87 253
Interest expense		-217 172	-433 451	-228 486	-438 809
Net interest income	4	828 488	1 632 295	763 288	1 500 940
Fee and commission income		286 372	553 320	265 023	529 392
Fee and commission expense		-127 451	-224 535	-94 428	-181 923
Net fee and commission income	5	158 921	328 785	170 595	347 469
Dividend income		173	173	94	94
The result on financial assets measured at fair value through profit or loss and FX result	6	10 580	33 266	43 028	53 018
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7	4 463	21 758	21 249	32 794
measured at fair value through other comprehensive income		4 277	14 700	20 927	32 112
measured at amortized cost		186	7 058	322	682
Other operating income		30 783	64 220	25 718	74 673
Other operating expenses		-27 057	-48 001	-25 884	-46 181
Net other operating income and expenses	8	3 726	16 219	-166	28 492
General administrative expenses	9	-393 558	-905 955	-430 160	-886 253
Net expected credit losses, impairment allowances and write-downs	10	-502 645	-777 251	-238 075	-482 823
Banking tax		-55 969	-110 201	-53 011	-102 901
Gross profit		54 179	239 089	276 842	490 830
Income tax	11	-18 421	-81 290	-77 011	-136 537
Net profit		35 758	157 799	199 831	354 293
Net profit attributable to equity holders of the parent		35 758	157 799	199 833	354 293
Net profit attributable to non-controlling interests		0	0	-2	0
Weighted average number of ordinary shares		130 553 991	130 553 991	129 760 548	129 519 848
Net profit per ordinary share(PLN)	12	0.27	1.21	1.54	2.74
Diluted profit per ordinary share(PLN)	12	0.27	1.20	1.52	2.71

Interim condensed consolidated statement of comprehensive income

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated*	01.01.2018 - 30.06.2018 Restated*
Net profit	35 758	157 799	199 831	354 293
Items that may be reclassified to the income statement after certain conditions are satisfied	58 736	10 237	-26 006	39 051
Foreign currency translation differences	71	311	-209	-824
Results of the measurement of financial assets (net)	49 935	-9 210	-29 871	20 860
profit/loss on valuation of financial assets measured at fair value through other comprehensive income	61 648	-11 371	-36 877	26 130
deferred tax	-11 713	2 161	7 006	-5 270
Results on the measurement of hedging instruments (net)	8 730	19 136	4 074	19 015
gains/losses on hedging instruments	10 778	23 625	5 029	23 475
deferred tax	-2 048	-4 489	-955	-4 460
Total comprehensive income, net	94 494	168 036	173 825	393 344
attributable to shareholders of the parent company	94 494	168 036	173 827	393 344
attributable to non-controlling interests	0	0	-2	0

*clarification in note 2.3

The notes presented on pages 10-47 constitute an integral part of these interim condensed separate financial statements

Interim condensed consolidated statement of financial position

ASSETS	Note number	30.06.2019	31.12.2018
Cash and balances with the Central Bank	13	1 786 149	1 639 033
Amounts due from banks	14	998 666	612 444
Financial assets	15	14 110 362	13 727 570
measured at fair value through other comprehensive income		8 059 939	7 280 080
measured at fair value through profit or loss		559 550	515 138
measured at amortized cost		5 490 873	5 932 352
Derivative hedging instruments		132 587	112 400
Loans and advances to customers	16	56 664 314	54 245 924
Assets pledged as collateral	18	346 178	333 286
Property, plant and equipment		814 843	460 659
Intangible assets		575 071	572 320
Investments in associates		4 000	4 000
Non-current assets held for sale		102	146
Income tax asset	11	1 099 648	1 035 624
current		6 976	0
deferred		1 092 672	1 035 624
Other assets	17	526 468	676 481
TOTAL ASSETS		77 058 388	73 419 887

LIABILITIES AND EQUITY	Numer noty	30.06.2019	31.12.2018
Amounts due to banks	19	1 101 123	593 327
Amounts due to customers	20	64 885 845	62 435 585
Financial liabilities measured at fair value through profit or loss	23	482 943	416 407
Derivative hedging instruments		16 134	9 381
Provisions	21	117 120	126 199
Other liabilities	22	1 873 102	1 167 111
Income tax liabilities		7 733	267 861
current		7 284	267 429
deferred		449	432
Subordinated liabilities	24	1 920 387	1 918 093
Total liabilities		70 404 387	66 933 964
Share capital		1 305 540	1 305 540
Supplementary capital		5 393 358	5 386 828
Revaluation reserve		62 090	52 164
Other reserves		171 629	171 629
Foreign currency translation differences		109	-202
Accumulated losses		-436 524	-1 143 409
Profit for the period		157 799	713 373
Equity		6 654 001	6 485 923
TOTAL LIABILITIES AND EQUITY		77 058 388	73 419 887

The notes presented on pages 10-47 constitute an integral part of these interim condensed separate financial statements.

Interim condensed statement of changes in consolidated equity

01.01.2019 - 30.06.2019	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2019	1 305 540	5 386 828	171 629	52 164	-202	-430 036	0	6 485 923
Transfer of last year's profit	0	6 530	0	0	0	-6 530	0	0
Comprehensive income	0	0	0	9 926	311	157 799	0	168 036
net profit	0	0	0	0	0	157 799	0	157 799
other comprehensive income:	0	0	0	9 926	311	0	0	10 237
financial assets measured at fair value through other comprehensive income	0	0	0	-9 210	0	0	0	-9 210
hedging instruments	0	0	0	19 136	0	0	0	19 136
currency translation differences	0	0	0	0	311	0	0	311
Other changes in equity	0	0	0	0	0	42	0	42
30 June 2019	1 305 540	5 393 358	171 629	62 090	109	-278 725	0	6 654 001

01.01.2018 - 31.12.2018	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2018	1 292 636	4 820 048	183 824	13 944	594	378 615	1 322	6 690 983
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 029 837	0	-1 019 208
Transfer of last year's profit	0	497 136	0	0	0	-497 136	0	0
Comprehensive income	0	0	0	27 591	-796	713 373	0	740 168
net profit	0	0	0	0	0	713 373	0	713 373
other comprehensive income:	0	0	0	27 591	-796	0	0	26 795
financial assets measured at fair value through other comprehensive income	0	0	0	-6 658	0	0	0	-6 658
hedging instruments	0	0	0	34 249	0	0	0	34 249
currency translation differences	0	0	0	0	-796	0	0	-796
Share issue	12 904	69 644	0	0	0	0	0	82 548
Other changes in equity	0	0	-12 195	0	0	4 949	-1 322	-8 568
31 December 2018	1 305 540	5 386 828	171 629	52 164	-202	-430 036	0	6 485 923

01.01.2018 - 30.06.2018 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2018	1 292 636	4 820 048	183 824	13 944	594	378 615	1 322	6 690 983
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 029 837	0	-1 019 208
Transfer of last year's profit	0	497 136	0	0	0	-497 136	0	0
Comprehensive income	0	0	0	39 875	-824	354 293	0	393 344
net profit	0	0	0	0	0	354 293	0	354 293
other comprehensive income:	0	0	0	39 875	-824	0	0	39 051
financial assets measured at fair value through other comprehensive income	0	0	0	20 860	0	0	0	20 860
hedging instruments	0	0	0	19 015	0	0	0	19 015
currency translation differences	0	0	0	0	-824	0	0	-824
Share issue	11 951	67 820	600	0	0	0	0	80 371
Other changes in equity	0	0	-11 585	0	0	518	-1 322	-12 389
30 June 2018	1 304 587	5 385 004	172 839	64 448	-230	-793 547	0	6 133 101

*clarification in note 2.3

The notes presented on pages 10-47 constitute an integral part of these interim condensed separate financial statements.

Interim condensed consolidated statement of cash flows

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018 Restated*
Operating activities		
Profit before tax for the year	239 089	490 830
Adjustments:	123 343	79 060
Unrealized foreign exchange gains/losses	773	2 657
Dividends	173	94
Amortization/depreciation of property, plant and equipment and intangible assets	120 723	85 662
Change in property, plant and equipment and intangible assets impairment write-down	1 674	2 232
Share-based payments	0	-11 585
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	362 432	569 890
Change in loans and receivables	-2 598 493	-1 932 103
Change in financial assets measured at fair value through other comprehensive income	-779 859	1 525 600
Change in financial assets measured at fair value through profit or loss	-44 412	-211 876
Change in financial assets measured at amortised cost	441 479	-550 218
Change in assets pledged as collateral	-12 892	73 250
Change in derivative hedging assets	-20 187	15 353
Change in non-current assets held for sale	44	86
Change in other assets	150 014	126 912
Change in deposits	2 957 716	1 611 653
Change in own issue	-177 631	-37 665
Change in financial liabilities	66 536	10 054
Change in hedging liabilities derivative	6 753	3 337
Change in other liabilities and other comprehensive income	470 543	-595 658
Change in provisions	-9 079	100 105
Cash from operating activities before income tax	812 964	708 720
Income tax paid	-312 398	-196 623
Net cash flow from operating activities	500 566	512 097
Investing activities		
Outflows:	-105 190	-57 536
Purchase of property, plant and equipment	-67 450	-17 210
Purchase of intangible assets	-37 740	-40 326
Inflows:	6 648	344
Disposal of property, plant and equipment	6 648	344
Net cash flow from investing activities	-98 542	-57 192
Financing activities		
Outflows:	-48 789	-51 662
Interest expense – subordinated loan	-48 789	-51 662
Inflows:	0	12 551
Inflows from share issue	0	12 551
Net cash flow from financing activities	-48 789	-39 111
Total net cash flow	353 235	415 794
incl. exchange gains/(losses)	-8 332	35 575
Balance sheet change in cash and cash equivalents	353 235	415 794
Cash and cash equivalents, opening balance	2 078 638	1 614 366
Cash and cash equivalents, closing balance	2 431 873	2 030 160
Additional disclosures on operating cash flows		
Interests received	2 353 821	2 034 721
Interests paid	-391 834	-470 180

*clarification in note 2.3

The notes presented on pages 10-47 constitute an integral part of these interim condensed separate financial statements.

Notes to the interim condensed consolidated financial statements

1. Information on the Bank and the Group

1.1 Overview

Alior Bank Spółka Akcyjna ("the Bank", "the Parent Company") is the parent company of the Alior Bank Spółka Akcyjna Group ("the Group"). The Bank with its registered office in Warsaw at ul. Łopuszańska 38D is entered in the register of businesses maintained by the District Court for the Capital City of Warsaw, 13th Business Department of the National Court Register under the number KRS 0000305178. The parent company was assigned a tax identification number NIP: 107-001-07-31 and the statistical number REGON: 141387142. Since 14 December 2012, the Bank has been listed on the Warsaw Stock Exchange (ISIN: PLALIOR00045).

1.2 Duration and scope of business activities

On 18 April the Polish Financial Supervision Authority ("PFSA") issued its licence to establish the bank under the name of Alior Bank SA, and on 1 September 2008 it issued a licence to the Bank to commence operations. On 5 September 2008, PFSA granted a licence to the Bank to perform stock broking activities. The duration of business of the Bank and its entites is unrestricted.

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

1.3 Shareholders of Alior Bank Spółka Akcyjna

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

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

Shareholders	Number of shares	Nominal value of shares (PLN)	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
30.06.2019					
PZU SA	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Aviva OFE Aviva BZ WBK	9 467 000	94 670 000	7.25%	9 467 000	7.25%
Nationale-Nederlanden PTE SA	9 300 000	93 000 000	7.12%	9 300 000	7.12%
BlackRock, Inc.	7 392 649	73 926 490	5.66%	7 392 649	5.66%
Others	62 735 492	627 354 920	48.06%	62 735 492	48.06%
Total	130 553 991	1 305 539 910	100.00%	130 553 991	100.00%

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

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

Shareholders	Number od shares	Nominal value od shares (PLN)	Percentage in the share capital	Number od votes	Number of votes in the total number of votes
06.08.2019					
PZU SA	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Aviva OFE Aviva BZ WBK	9 467 000	94 670 000	7.25%	9 467 000	7.25%
Nationale-Nederlanden PTE SA	9 300 000	93 000 000	7.12%	9 300 000	7.12%
BlackRock, Inc.	7 392 649	73 926 490	5.66%	7 392 649	5.66%
Others	62 735 492	627 354 920	48.06%	62 735 492	48.06%
Total	130 553 991	1 305 539 910	100.00%	130 553 991	100.00%

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

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

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

As at 30 June 2019, the composition of the Bank's Management Board was as follows:

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

As at the date of the financial statements, the composition of the Bank's Management Board was as follows:

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

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

Number of shares	05.08.2019	30.06.2019	31.12.2018
Krzysztof Bachta	4 168	4 168	2 168
Total	4 168	4 168	2 168

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

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

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

First and last name	Function
Tomasz Kulik	Chairman of the Supervisory Board
Marcin Eckert	Deputy Chairperson of the Supervisory Board
Dariusz Gątarek	Member of the Supervisory Board
Mikołaj Handschke	Member of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board
Wojciech Myślecki	Member of the Supervisory Board
Maciej Rapkiewicz	Member of the Supervisory Board

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

1.5 Information about the Alior Bank Group

Alior Bank SA is the parent company of Alior Bank Group. The composition of the Group as at 30 June 2019 was as follows:

Company's name – subsidiaries	30.06.2019	31.12.2018
Alior Services sp. z o.o.	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Alior TFI SA	100%	100%
Absource sp. z o.o.	100%	100%
Corsham sp.z o.o.*	100%	-
- <i>PayPo sp. z o.o.**</i>	20%	-

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

Company name – associate	30.06.2019	31.12.2018
PayPo sp. z o.o./ GTR Finance sp. z o.o.	-	20%

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

1.6 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 5 August 2019.

1.7 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of seasonal or cyclical nature within the meaning of IAS 34.

2. Accounting principles

2.1 Basis for preparation

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the first half of 2019 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2018.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2019 to 30 June 2019, and interim condensed consolidated statement of financial position as at 30 June 2019 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2018, except for the changes in the standards that entered into force on 1 January 2019. This is the first set of the Group's financial statements where IFRS 16 have been applied. Changes to accounting policies are described in Note 2.2.

Scope and reporting currency

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

Going concern

The interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group have been prepared on the assumption that the Group will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2019.

2.2 Accounting principles – changes in standards

Significant accounting policies

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

Changes in accounting standards

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

These interim condensed consolidated financial statements do not take into account amendments, standards and interpretations that are awaiting approval by the European Union or have been approved by the European Union but have entered into or will enter into force after the balance sheet date. The scope of these amendments, standards and interpretations has been presented in the Group's consolidated financial statements for 2018.

• IFRS 16 Leasing

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

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

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

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

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

	Impact of IFRS 16 as at 01.01.2019
transport means	2 077
Liabilities due to lease agreements	385 364

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

	31.12.2018	opening balance adjustments	01.01.2019
Future rental commitments under MSR 17	454 140	0	0
opening balance adjustments in connection with the implementation of IFRS 16, including:	0	-68 776	0
(-) discounting effect using lessee's incremental borrowing rate as at 1 Jan 2019	0	-19 144	0
(-) recognition exemption for short-term leases	0	-11 357	0
(-)non-lease components of a contract	0	-11 032	0
(+)/(-)extension and termination options reasonably certain to be exercised	0	0	0
(-) others	0	-27 243	0
Lease liabilities under IFRS 16	0	0	385 364

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

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

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

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

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

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

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

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

- **Other changes**

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

2.3 Changes in presentation and restatement of comparative data and explanation of differences in relation to previously published financial statements

- **Result on sales of receivables and on significant modification (change I)**

In relation to the published interim separate financial statements as of 30 June 2018 in this report the presentation of the result on sales of receivables and result on significant modification were changed in order to better reflect the economic character of those transactions.

- **Recoveries from loans and advances (change II)**

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

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

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

The changes concern:

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

- **Realized margin on foreign exchange transactions (change IV)**

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

- Income tax (change V)

The Group changed the rules of recognizing the charges due to income tax in the 1st half of 2019. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Income statement	01.01.2018 – 30.06.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.06.2018 Restated
Net interest income	1 499 801	1 139	0	0	0	0	1 500 940
Net fee and commission income	214 209	1 121	0	0	132 139	0	347 469
The result on financial assets measured at fair value through profit or loss and FX result (trading)	185 157	0	0	0	-132 139	0	53 018
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	61 368	-28 574	0	0	0	0	32 794
Net other operating income and expenses	33 225	0	-4 733	0	0	0	28 492
Net expected credit losses, impairment allowances and write-downs	-509 245	26 314	4 733	-4 625	0	0	-482 823
Gross profit	495 455	0	0	-4 625	0	0	490 830
Income tax	-135 482	0	0	879	0	-1 934	-136 537
Net profit	359 973	0	0	-3 746	0	-1 934	354 293

Statement of cash flows	01.01.2018 – 30.06.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.06.2018 Restated
Profit before tax	495 455	0	0	-4 625	0	0	490 830
Change in loans and receivables	-2 172 691	0	0	240 588	0	0	-1 932 103
Change in other liabilities and other comprehensive income	-354 126	0	0	-241 532	0	0	-595 658
Change in provisions	94 537	0	0	5 568	0	0	100 105

Statement of changes in equity	30.06.2018	change I	change II	change III	change IV	change V	30.06.2018 Restated
IFRS 9 impact and other changes	-821 526	0	0	-197 682	0	0	-1 019 208
Profit for the period	359 973	0	0	-3 746	0	-1 934	354 293
Equity at the end of the period	6 336 463	0	0	-201 428	0	-1 934	6 133 101

3. Operating segments

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

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

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

The basic products for retail customers comprise:

- lending products: cash loans, credit cards, overdraft facilities, housing loans;
- deposit products: term deposits, savings accounts;
- brokerage products and investment funds;

- personal accounts;
- transaction services: cash deposits and withdrawals, transfers;
- FX transactions.

The basic products for business customers comprise:

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

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

The profitability includes:

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

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

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

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

Results and volumes split by segment for the six months ended 30 June 2019

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	990 840	575 058	66 397	1 632 295	0	1 632 295
external income	1 236 229	634 916	119 530	1 990 675	0	1 990 675
income of a similar nature	0	0	75 071	75 071	0	75 071
external expense	-245 389	-59 858	-128 204	-433 451	0	-433 451
Internal interest income	59 568	-138 302	78 734	0	0	0
internal income	511 873	181 319	771 926	1 465 118	0	1 465 118
internal expense	-452 305	-319 621	-693 192	-1 465 118	0	-1 465 118
Net interest income	1 050 408	436 756	145 131	1 632 295	0	1 632 295
Fee and commission income	205 839	341 579	5 902	553 320	0	553 320
Fee and commission expense	-88 353	-132 686	-3 496	-224 535	0	-224 535
Net fee and commission income	117 486	208 893	2 406	328 785	0	328 785
Dividend income	0	0	173	173	0	173
The result on financial assets measured at fair value through profit or loss and FX result	2 851	22 377	8 038	33 266	0	33 266
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	0	0	21 758	21 758	0	21 758
measured at fair value through other comprehensive income	0	0	14 700	14 700	0	14 700
measured at amortized cost			7 058	7 058	0	7 058
Other operating income	56 018	8 202	0	64 220	0	64 220
Other operating expenses	-36 440	-11 561	0	-48 001	0	-48 001
Net other operating income	19 578	-3 359	0	16 219	0	16 219
Total result before expected credit losses	1 190 323	664 667	177 506	2 032 496	0	2 032 496

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
Net expected credit losses	-226 394	-549 108	0	-775 502	-1 749	-777 251
Total result after expected credit losses	963 929	115 559	177 506	1 256 994	-1 749	1 255 245
General administrative expenses	-690 771	-325 385	0	-1 016 156	0	-1 016 156
Gross profit	273 158	-209 826	177 506	240 838	-1 749	239 089
Income tax				0	-81 290	-81 290
Net profit	273 158	-209 826	177 506	240 838	-83 039	157 799
Depreciation						-120 723
Assets	43 506 375	32 452 365	0	75 958 740	1 099 648	77 058 388
Liabilities	49 167 740	21 228 914	0	70 396 654	7 733	70 404 387

Results and volumes split by segment for the six months ended 30 June 2018

Restated	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	939 902	506 682	54 356	1 500 940	0	1 500 940
external income	1 124 426	598 789	129 281	1 852 496	0	1 852 496
income of a similar nature	0	0	87 253	87 253	0	87 253
external expense	-184 524	-92 107	-162 178	-438 809	0	-438 809
Internal interest income	60 261	-34 581	-25 680	0	0	0
internal income	521 940	213 306	948 760	1 684 006	0	1 684 006
internal expense	-461 679	-247 887	-974 440	-1 684 006	0	-1 684 006
Net interest income	1 000 163	472 101	28 676	1 500 940	0	1 500 940
Fee and commission income	226 043	294 768	8 581	529 392	0	529 392
Fee and commission expense	-85 950	-91 921	-4 052	-181 923	0	-181 923
Net fee and commission income	140 093	202 847	4 529	347 469	0	347 469
Dividend income	0	0	94	94	0	94
The result on financial assets measured at fair value through profit or loss and FX result	2 481	46 027	4 510	53 018	0	53 018
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	0	0	32 794	32 794	0	32 794
measured at fair value through other comprehensive income	0	0	32 112	32 112	0	32 112
measured at amortized cost	0	0	682	682	0	682
Other operating income	74 203	470	0	74 673	0	74 673
Other operating expenses	-33 978	-12 203	0	-46 181	0	-46 181
Net other operating income	40 225	-11 733	0	28 492	0	28 492
Total result before expected credit losses	1 182 962	709 242	70 603	1 962 807	0	1 962 807
Net expected credit losses	-229 482	-251 107	0	-480 589	-2 234	-482 823
Total result after expected credit losses	953 480	458 135	70 603	1 482 218	-2 234	1 479 984
General administrative expenses	-724 004	-262 592	-2 558	-989 154	0	-989 154
Gross profit	229 476	195 543	68 045	493 064	-2 234	490 830
Income tax	0	0	0	0	-136 537	-136 537
Net profit	229 476	195 543	68 045	493 064	-138 771	354 293
Depreciation						-86 045
Assets	40 887 185	28 506 395	44 057	69 437 637	899 622	70 337 259
Liabilities	42 513 735	21 531 655	11 431	64 056 821	147 337	64 204 158

Notes to the interim condensed consolidated income statement

4. Net interest income

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Interest income	1 007 057	1 990 675	939 599	1 852 496
term deposits	189	294	140	291
loans	892 094	1 756 348	850 839	1 661 596
financial assets measured at amortized cost	30 280	62 505	23 611	46 585
financial assets measured at fair value through other comprehensive income	35 459	69 124	41 377	86 134
receivables acquired	4 023	16 929	-1 527	13 133
repo transactions in securities	1 028	1 542	1 623	2 748
leasing	43 683	83 112	23 137	41 163
other	301	821	399	846
Income of a similar nature	38 603	75 071	52 175	87 253
current accounts	2 919	5 672	2 564	5 281
overnight deposits	242	483	624	1 114
derivatives instruments	35 442	68 916	48 987	80 858
Interest expense	-217 172	-433 451	-228 486	-438 809
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-129 634	-256 344	-139 994	-279 195
term deposits	-89 530	-175 859	-95 383	-190 179
own issue	-32 079	-64 196	-36 247	-73 382
repo transactions in securities	-3 059	-6 618	-4 243	-8 529
cash deposits	-622	-1 389	-735	-1 560
leasing	-1 240	-2 172	0	0
other	-3 104	-6 110	-3 386	-5 545
Other interest expense	-87 538	-177 107	-88 492	-159 614
current deposits	-64 506	-130 559	-46 479	-91 589
derivatives	-23 032	-46 548	-42 013	-68 025
Net interest income	828 488	1 632 295	763 288	1 500 940

5. Net fee and commission income

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Fee and commission income	286 372	553 320	265 023	529 392
payment and credit cards service	79 151	144 284	62 435	119 121
transaction margin on currency exchange transactions	75 862	144 297	64 495	132 139
maintaining bank accounts	25 930	52 745	27 939	58 157
brokerage commissions	6 115	13 256	19 268	39 333
revenue from bancassurance activity	22 909	46 612	15 326	36 188
loans and advances	26 803	52 867	31 063	56 670
transfers	13 283	26 542	15 141	30 587
cash operations	9 853	19 265	10 757	21 070
guarantees, letters of credit, collection, commitments	3 165	6 352	3 542	7 175
receivables acquired	2 964	5 576	2 898	5 804
for custody services	2 108	4 638	3 141	5 733
repayment of seizure	1 626	3 095	1 487	2 746
other commissions	16 603	33 791	7 531	14 669
Fee and commission expenses	-127 451	-224 535	-94 428	-181 923
costs of card and ATM transactions, including costs of cards issued	-77 721	-127 972	-44 371	-88 227

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
commissions paid to agents	-15 271	-27 990	-14 370	-20 906
insurance of bank products	-3 223	-6 930	-4 284	-8 531
costs of awards for customers	-4 160	-8 096	-3 928	-7 230
commissions for access to ATMs	-5 841	-11 362	-5 724	-12 395
commissions paid under contracts for performing specific operations	-5 782	-12 938	-5 913	-13 632
brokerage commissions	-902	-1 572	-1 103	-1 982
for custody services	-586	-955	-673	-1 058
transfers and remittances	-4 932	-9 348	-4 772	-8 635
other commissions	-9 033	-17 372	-9 290	-19 327
Net fee and commission income	158 921	328 785	170 595	347 469

01.01.2019 – 30.06.2019	Retail customers	Business customers	Treasury	Total
Fee and commission income	205 839	341 579	5 902	553 320
payment and credit cards service	49 187	95 097	0	144 284
transaction margin on currency exchange transactions	68 034	70 956	5 307	144 297
maintaining bank accounts	23 915	28 830	0	52 745
brokerage commissions	13 256	0	0	13 256
revenue from bancassurance activity	25 204	21 408	0	46 612
loans and advances	7 079	45 788	0	52 867
Transfers	6 407	20 135	0	26 542
cash operations	9 781	9 484	0	19 265
guarantees, letters of credit, collection, commitments	0	6 352	0	6 352
receivables acquired	2	5 574	0	5 576
custody services	0	4 638	0	4 638
repayment of seizure	0	3 095	0	3 095
other commissions	2 974	30 222	595	33 791

01.01.2018 - 30.06.2018 Restated	Retail customers	Business customers	Treasury	Total
Fee and commission income	226 043	294 768	8 581	529 392
payment and credit cards service	51 103	68 018	0	119 121
transaction margin on currency exchange transactions	59 461	64 811	7 867	132 139
maintaining bank accounts	24 323	33 834	0	58 157
brokerage commissions	39 333	0	0	39 333
revenue from bancassurance activity	24 228	11 960	0	36 188
loans and advances	7 278	49 392	0	56 670
Transfers	7 331	23 256	0	30 587
cash operations	12 170	8 900	0	21 070
guarantees, letters of credit, collection, commitments	0	7 175	0	7 175
receivables acquired	0	5 804	0	5 804
custody services	0	5 733	0	5 733
repayment of seizure	0	2 746	0	2 746
other commissions	816	13 139	714	14 669

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

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
FX result and net income on currency derivatives, including :	15 121	32 299	21 185	34 811
fx result	72 058	-2 836	-237 931	-185 483
currency derivatives	-56 937	35 135	259 116	220 294
Interest rate transactions	-8 963	-12 744	8 784	10 457
Ineffective part of hedge accounting	185	427	357	-1 788
The result on other instruments (includes the result on trading in debt securities classified as assets measured at fair value through profit and loss with interest)	4 237	13 284	12 702	9 538
The result on financial assets measured at fair value through profit or loss and FX result	10 580	33 266	43 028	53 018

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

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Financial assets measured at fair value through other comprehensive income	4 279	14 702	20 927	32 112
Financial assets measured at amortized cost	184	7 056	322	682
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	4 463	21 758	21 249	32 794

8. Result on other operating income and expenses

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Other operating income from:	30 783	64 220	30 451	79 406
income from contracts with business partners	10 753	20 593	14 797	25 050
reimbursement of costs of claim enforcement	5 527	13 360	4 203	7 948
received compensations, recoveries, penalties and fines	2 947	10 148	2 306	4 245
management of third party assets	5 462	10 138	3 852	9 492
from license fees from Partners	1 182	2 365	1 168	2 346
other	4 912	7 616	-608	25 592
Other operating expenses due to:	-27 057	-48 001	-30 617	-50 914
fees and costs of claim enforcement	-13 361	-26 096	-16 718	-25 494
paid compensations, fines and penalties	-3 339	-7 834	-1 447	-6 686
management of third party assets	-474	-1 169	-381	-998
recognition of complaints	-1 059	-1 923	-3 635	-4 254
other	-8 824	-10 979	-8 436	-13 482
Net other operating income and expense	3 726	16 219	-166	28 492

9. General administrative expenses

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Payroll costs	-214 896	-439 050	-233 995	-473 897
remuneration due to employment contracts	-174 577	-354 748	-187 628	-381 648
remuneration surcharges	-34 313	-72 909	-36 002	-77 646
revaluation of management option plan – part settled in cash	177	-795	-5 658	-7 973
costs of bonus for senior executives settled in phantom shares	-601	-1 466	0	0
other	-5 582	-9 132	-4 707	-6 630
General and administrative costs	-110 668	-336 014	-151 659	-322 776
lease and building maintenance expenses	-15 832	-32 493	-37 229	-74 968
costs of Banking Guarantee Fund	-11 594	-133 326	-17 041	-71 716

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
IT costs	-26 420	-49 030	-24 788	-47 692
marketing costs	-18 878	-39 480	-22 124	-41 246
cost of advisory services	-6 203	-15 997	-6 728	-15 315
external services	-9 525	-16 281	-10 437	-16 966
training costs	-1 831	-6 054	-6 716	-12 317
costs of telecommunications services	-6 415	-12 316	-5 921	-11 943
costs of lease of property, plant and equipment and intangible assets	-1 493	-3 387	-1 869	-3 809
other	-12 477	-27 650	-18 806	-26 804
Amortization and depreciation	-61 584	-120 723	-42 810	-86 045
property, plant and equipment	-22 028	-44 795	-23 886	-48 058
intangible assets	-15 784	-30 518	-18 924	-37 987
leasing	-23 772	-45 410	n/a	n/a
Taxes and fees	-6 410	-10 168	-1 696	-3 535
Total general administrative expenses	-393 558	-905 955	-430 160	-886 253

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

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Stage 3	-508 721	-817 606	-256 111	-546 015
Impairment losses on impaired loans and advances to customers	-508 721	-817 606	-256 111	-546 015
retail customers	-143 949	-273 871	-119 581	-269 624
business customers	-364 772	-543 735	-136 530	-276 391
Investment securities	379	3 917	2 962	3 494
Expected credit loss (ECL)	62	29 987	30 927	51 248
Stage 2	27 451	25 373	28 307	24 342
retail customers	21 392	24 359	-445	5 968
business customers	6 059	1 014	28 752	18 374
Stage 1	-27 389	4 614	2 620	26 906
retail customers	-11 388	13 945	881	8 687
business customers	-16 001	-9 331	1 739	18 219
POCI	-10 122	-27 720	-15 957	-25 791
Recoveries	10 270	25 424	15 960	29 498
Off-balance provisions	5 592	10 496	-15 379	6 976
Property, plant and equipment and intangible assets	-105	-1 674	-477	-2 233
Non-current assets held for sale	0	-75	0	0
Net expected credit losses, impairment allowances and write-downs	-502 645	-777 251	-238 075	-482 823

11. Income Tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2019 is 34% compared to 27.82 for the six months ended 30 June 2018. The tax rate in 2018 was lower due to the significant increase in 2019 of permanent differences caused by a higher fee for BFG and expected credit loss due to factoring receivables.

12. Profit per share

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Net profit	35 758	157 799	199 831	354 293

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated	01.01.2018 - 30.06.2018 Restated
Weighted average number of ordinary shares	130 553 991	130 553 991	129 760 548	129 519 848
Share options (number) - adjusting instrument	1 160 412	1 160 412	1 307 611	1 307 611
Adjusted weighted average number of shares	131 714 403	131 714 403	131 068 159	130 827 459
Net profit per ordinary share (PLN)	0.27	1.21	1.54	2.74
Diluted profit per share (PLN)	0.27	1.20	1.52	2.71

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

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

Diluted profit per share is calculated as a ratio of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares adjusted by potential ordinary convertible shares. The Bank has one category that may result in dilution of potential ordinary shares: share options.

The number of warrants as at 30 June 2019:

Series of warrants	The number of warrants as at 31.12. 2018	The number of warrants executed during 2019	Warrants expired in 2019	The number of warrants as at 30.06. 2019 incl:	The number of warrants that can be realised	Number of deferred warrants to be issued in 2019
A	0	0	0	0	0	0
B	528 612	0	0	528 612	520 263	8 349
C	631 800	0	0	631 800	490 956	140 844
	1 160 412	0	0	1 160 412	1 011 219	149 193

Notes to the interim condensed consolidated statement of financial position

13. Cash and balances with the central bank

13.1 Financial data

	30.06.2019	31.12.2018
Current account with the central bank	830 745	706 079
Term deposit with the central bank	280 012	0
Cash	675 392	932 954
Cash and balances with central bank	1 786 149	1 639 033

14. Amounts due from banks

14.1 Financial data

	30.06.2019	31.12.2018
Current accounts	628 966	429 498
Overnight deposits (O/N)	9 145	60
Term deposits	7 613	10 047
Deposits as derivative transactions (ISDA) collateral	146 412	124 998
Other	206 530	47 841
Amounts due from banks	998 666	612 444

15. Financial assets

15.1 Financial data

	30.06.2019	31.12.2018
Financial assets	14 110 362	13 727 570
measured at fair value through other comprehensive income	8 059 939	7 280 080
measured at fair value through profit or loss	559 550	515 138
measured at amortized cost	5 490 873	5 932 352

Financial assets by type

measured at fair value through other comprehensive income	30.06.2019	31.12.2018
Debt instruments	8 034 685	7 257 145
issued by the State Treasury	6 742 127	7 109 317
T-bonds	6 742 127	7 109 317
issued by monetary institutions	1 219 267	74 304
Eurobonds	19 584	74 304
Money bills	1 199 683	0
issued by companies	73 291	73 524
Bonds	73 291	73 524
Equity instruments	25 254	22 935
Total	8 059 939	7 280 080

measured at fair value through profit or loss	30.06.2019	31.12.2018
Debt instruments	42 268	21 814
issued by the State Treasury	24 494	5 254
T-bonds	24 494	5 254
issued by companies	17 774	16 560
Bonds	17 774	16 560
Equity instruments	35 286	27 060
Derivative financial instruments	481 996	466 264
Interest rate transactions	331 557	286 917
SWAP	331 259	286 014
Cap Floor Options	298	903
Foreign exchange transactions	63 301	108 205
FX Swap	13 561	40 353
FX forward	19 844	32 310
CIRS	11 219	11 723
FX options	18 677	23 819
Other options	56 155	36 028
Other instruments	30 983	35 114
Total	559 550	515 138

measured at amortized cost	30.06.2019	31.12.2018
Debt instruments	5 490 873	5 932 352
issued by the State Treasury	5 490 828	5 932 352
T-bonds	5 490 828	5 932 352
issued by other financial companies	45	0
Bonds	45	0

measured at amortized cost	30.06.2019	31.12.2018
Total	5 490 873	5 932 352

16. Loans and advances to customers

16.1 Financial data

Loans granted to customers	30.06.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	33 059 078	-2 666 107	30 392 971	32 048 060	-2 604 564	29 443 496
Consumer loans	19 847 620	-2 491 198	17 356 422	18 948 266	-2 419 791	16 528 475
Loans for residential properties	10 864 153	-131 597	10 732 556	10 490 966	-138 830	10 352 136
Consumer finance loans	2 347 305	-43 312	2 303 993	2 608 828	-45 943	2 562 885
Corporate segment	28 941 517	-2 670 174	26 271 343	26 869 349	-2 066 921	24 802 428
Working capital loans	13 714 649	-1 754 407	11 960 242	13 034 649	-1 421 812	11 612 837
Investment loans	8 467 384	-496 643	7 970 741	8 728 597	-418 269	8 310 328
Other business loans	6 759 484	-419 124	6 340 360	5 106 103	-226 840	4 879 263
Total	62 000 595	-5 336 281	56 664 314	58 917 409	-4 671 485	54 245 924

Loans and advances to customers by method of allowance calculation	30.06.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	7 863 721	-4 024 930	3 838 791	6 919 170	-3 371 568	3 547 602
individual method, including:	3 168 454	-1 160 316	2 008 138	3 021 790	-930 486	2 091 304
with identified impairment	2 683 091	-1 153 212	1 529 879	2 419 201	-927 494	1 491 707
without identified impairment	485 363	-7 104	478 259	602 589	-2 992	599 597
group method, including:	4 695 267	-2 864 614	1 830 653	3 897 380	-2 441 082	1 456 298
with identified impairment	4 587 314	-2 853 189	1 734 125	3 828 021	-2 433 496	1 394 525
without identified impairment	107 953	-11 425	96 528	69 359	-7 586	61 773
Stage 2	6 243 647	-750 498	5 493 149	6 356 390	-771 136	5 585 254
Stage 1	47 512 943	-471 993	47 040 950	45 243 037	-467 542	44 775 495
POCI	380 284	-88 860	291 424	398 812	-61 239	337 573
Total	62 000 595	-5 336 281	56 664 314	58 917 409	-4 671 485	54 245 924

Loans and advances to customers – exposure of the Bank to the credit risk	30.06.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3 (with identified impairment, of which):	7 270 405	-4 006 401	3 264 004	6 247 222	-3 360 990	2 886 232
assessed with individualised method	2 683 091	-1 153 212	1 529 879	2 419 201	-927 494	1 491 707
without identified impairment, of which:	54 349 906	-1 241 020	53 108 886	52 271 375	-1 249 256	51 022 119
Stage 3 (with recognised individual indication)	593 316	-18 529	574 787	671 948	-10 578	661 370
not overdue	238 555	-10 321	228 234	136 184	-3 513	132 671
overdue	354 761	-8 208	346 553	535 764	-7 065	528 699
Stage 1 and Stage 2	53 756 590	-1 222 491	52 534 099	51 599 427	-1 238 678	50 360 749
not overdue	49 702 517	-841 291	48 861 226	46 670 992	-828 768	45 842 224
overdue	4 054 073	-381 200	3 672 873	4 928 435	-409 910	4 518 525
POCI	380 284	-88 860	291 424	398 812	-61 239	337 573

Loans and advances to customers – exposure of the Bank to the credit risk	30.06.2019			31.12.2018		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Total	62 000 595	-5 336 281	56 664 314	58 917 409	-4 671 485	54 245 924

In the first half of 2019, the Group sold loans with a total gross value amounting to PLN 332 729 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 261 480 thousand. The impact of debt sales on the cost of risk in the first half of 2019 amounted to PLN 18 098 thousand.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2019	45 243 037	6 356 390	6 919 170	398 812	58 917 409
New / purchased / granted financial assets	10 050 068	0	0	0	10 050 068
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-5 159 587	-751 234	-867 927	-19 709	-6 798 458
Financial assets written down	0	0	-90 887	0	-90 887
Transfer to Stage 1	1 248 005	-1 220 560	-27 445	0	0
Transfer to Stage 2	-2 611 739	2 690 103	-78 364	0	0
Transfer to Stage 3	-1 097 243	-739 931	1 837 174	0	0
Other changes	-159 598	-91 120	172 000	1 181	-77 537
Gross carrying amount as at 30.06.2019	47 512 943	6 243 647	7 863 721	380 284	62 000 595
Expected credit losses					
Expected credit losses as at 01.01.2019	467 542	771 136	3 371 569	61 239	4 671 486
New / purchased / granted financial assets	202 523	0	0	0	202 523
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-296 190	178 624	474 307	3 362	360 103
Financial assets written down	0	0	-90 887	0	-90 887
Transfer to Stage 1	166 646	-158 227	-8 419	0	0
Transfer to Stage 2	-56 477	80 366	-23 889	0	0
Transfer to Stage 3	-21 295	-126 149	147 444	0	0
Other changes	9 244	4 748	154 805	24 259	193 056
Expected credit losses as at 30.06.2019	471 993	750 498	4 024 930	88 860	5 336 281
Net carrying amount as at 30.06.2019	47 040 950	5 493 149	3 838 791	291 424	56 664 314

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2018	41 402 336	6 530 949	5 830 607	480 394	54 244 286
New / purchased / granted financial assets	9 101 148	0	0	0	9 101 148
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-6 072 812	-402 428	-444 539	-15 738	-6 935 517
Financial assets written down	0	0	-127 806	-810	-128 616
Transfer to Stage 1	1 773 435	-1 741 452	-31 983	0	0
Transfer to Stage 2	-2 292 816	2 352 719	-59 903	0	0
Transfer to Stage 3	-660 940	-900 789	1 561 729	0	0
Other changes	589 229	7 044	1 195	0	597 468

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 30.06.2018	43 839 581	5 846 043	6 729 299	463 846	56 878 769
Expected credit losses					
Expected credit losses as at 01.01.2018	530 770	830 959	2 730 321	22 990	4 115 040
New / purchased / granted financial assets	241 998	0	0	0	241 998
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-337 785	157 870	298 070	778	118 933
Financial assets written down	0	0	-127 806	-810	-128 616
Transfer to Stage 1	143 046	-129 903	-13 143	0	0
Transfer to Stage 2	-54 249	75 046	-20 797	0	0
Transfer to Stage 3	-22 233	-127 438	149 671	0	0
Other changes	3 821	1 687	79 278	15 558	100 344
Expected credit losses as at 30.06.2018	505 368	808 221	3 095 594	38 516	4 447 699
Net carrying amount as at 30.06.2018	43 334 213	5 037 822	3 633 705	425 330	52 431 070

17. Other assets

	30.06.2019	31.12.2018
Sundry debtors	452 034	566 357
other settlements	232 420	331 127
receivables related to sales of services (including insurance)	39 194	36 905
guarantee deposits	17 127	16 962
settlements of payment cards	67 505	181 363
subsidy from BGF	95 788	0
Costs recognised over time	44 334	34 517
settlements of rental charges and utilities	282	617
maintenance and support of systems, servicing of plant and equipment	19 457	18 167
other deferred costs	24 595	15 733
Other receivables	655	57
VAT settlements	93 642	145 385
Other assets (gross)	590 665	746 316
Write-down	-64 197	-69 835
Other assets (net)	526 468	676 481
including financial assets (gross)	452 034	566 357

18. Assets pledged as collateral

18.1 Financial data

	30.06.2019	31.12.2018
Treasury bonds blocked for REPO transactions	8 842	0
Deposit as collateral of transactions performed in Alior Trader	316	88
Financial assets measured at amortised cost securing a loan in the EIB	337 020	333 198
Total	346 178	333 286

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

	30.06.2019	31.12.2018
Treasury bonds blocked with BGF	340 004	351 896
Deposits as derivative transactions (ISDA) collateral	146 412	124 998
Total	486 416	476 894

19. Amounts due to banks

Structure by type	30.06.2019	31.12.2018
Current deposits	2 207	4 991
Overnights	12 201	0
Term deposits	360 360	2 770
Own bond issues	22 757	22 761
Received loan	189 574	230 830
Other liabilities	505 157	331 975
Repo	8 867	0
Total amounts due to banks	1 101 123	593 327

20. Amounts due to customers

Structure by type and customer segment	30.06.2019	31.12.2018
Retail segment	45 421 557	43 944 874
current deposits	29 051 784	28 546 686
term deposits	13 555 123	12 777 384
own issue of banking securities	2 549 192	2 380 331
own bond issues	81 468	81 484
other liabilities	183 990	158 989
Corporate segment	19 464 288	18 490 711
current deposits	9 886 026	10 130 389
term deposits	9 041 361	7 489 126
issue of the Bank's securities	82 543	429 148
own bond issues	164 016	163 883
other liabilities	290 342	278 165
Total amounts due to customers	64 885 845	62 435 585

In the first half 2019 the Bank issued own securities amounted to PLN 510 710 thousand (BPW) and securities purchased before maturity amounted to PLN 34 088 thousand.

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

21. Provisions

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 01 January 2019	35 064	7 242	74 365	9 528	126 199
Change due to acquisition of SKOK Jaworzno	231	113	0	6 563	6 907
Established provisions	7 267	8 008	66 780	0	82 055
Reversal of provisions	-4 611	-7 137	-77 276	-666	-89 690
Utilized provisions	-1 236	-164	0	-9 503	-10 903
Other changes	2 626	0	-74	0	2 552
As at 30 June 2019	39 341	8 062	63 795	5 922	117 120

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 01 January 2018	16 024	13 338	145 305	37 418	212 085
incl. impact of MSSF 9	0	0	121 628	0	121 628
Established provisions	35 484	7 207	237 131	0	279 822
Reversal of provisions	-7 750	-12 892	-308 079	-6 800	-335 521
Utilized provisions	-8 698	-427	0	-21 090	-30 215
Other changes	4	16	8	0	28
As at 31 December 2018	35 064	7 242	74 365	9 528	126 199

The restructuring provision is dedicated for payments of statutory severance bonuses in connection with employment terminations under group redundancies for the so-called additional compensation arising from the arrangement concluded with the trade unions and the provision for costs related to the restructuring of the branch network and abandoning franchise facilities in too close proximity (it includes the costs of compensation and expenses related to the physical abandonment of the facility and returning it to its original state).

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

Split of the restructuring provision as at 30.06.2019 is presented below :

	31.12.2018	established to acquisition of SKOK Jaworzno	utilisation	reversal	30.06.2019
Severance pay for employees	0	739	0	0	739
Reorganisation of the branch network	9 528	5 824	-9 503	-666	5 183
Total	9 528	6 563	-9 503	-666	5 922

22. Other liabilities

	30.06.2019	31.12.2018
Interbank settlements	458 929	354 356
Taxes, customs duty, social and health insurance payables and other public settlements	40 118	39 057
Settlements of payment cards	197 227	117 620
Other settlements, including:	196 004	123 600
settlements with insurers	21 407	20 118
Settlements of issues of bank certificates of deposits	69 120	42 902
Accrued expenses	238 144	166 377
Income received in advance	72 672	70 509
Provision for bancassurance resignations	28 883	28 300
Provision for bonuses	76 448	102 469
Provision for unutilised annual leaves	24 589	24 298
Provision for bonuses settled in phantom shares	16 821	15 355
Provision for retention programs	5 763	6 326
Revaluation of management option plan – part settled in cash	6 168	5 373
Other employee provisions	3 374	2 893
Leasing	388 100	0
Other liabilities	50 742	67 676
Other liabilities	1 873 102	1 167 111
including financial liabilities	852 160	354 356

23. Financial liabilities

23.1 Financial data

	30.06.2019	31.12.2018
Short sale of T-bonds	1 454	0
Interest rate transactions	324 411	290 875
SWAP	324 113	289 975
Cap Floor Options	298	900
Foreign exchange transactions	82 200	55 226
FX Swap	43 924	12 170
FX forward	7 457	13 117
CIRS	12 318	5 586
FX options	18 501	24 353
Other options	56 155	36 028
Other instruments	18 723	34 278
Total	482 943	416 407

24. Subordinated liabilities

	Nominal value in the currency (PLN '000)	Currency	Term	Specific conditions	Status of liabilities	
					30.06.2019	31.12.2018
Subordinated loan	10 000	EUR	12.10.2011-11.10.2019	The loan may be prepaid subject to a written notification 30 days before the planned repayment.	42 708	43 189
Series F bonds	321 700	PLN	26.09.2014-26.09.2024		325 914	325 914
Series G bonds	192 950	PLN	31.03.2015-31.03.2021		195 522	195 551
Series I bonds	150 000	PLN	04.12.2015-06.12.2021		150 570	150 591
Series I1 bonds	33 350	PLN	04.12.2015-06.12.2021		33 477	33 482
Series B bonds (Meritum Bank)	67 200	PLN	29.04.2013-29.04.2021		67 915	67 885
Meritum Bank bonds – series C	80 000	PLN	21.10.2014-21.10.2022		80 615	80 582
Series EUR001 bonds	10 000	EUR	04.02.2016-04.02.2022		43 547	44 060
Series P1A bonds	150 000	PLN	14.04.2016-16.05.2022		150 956	150 957
Series P1B bonds	70 000	PLN	21.04.2016-16.05.2024		70 424	70 424
Series K bonds	400 000	PLN	20.10.2017-20.10.2025		403 560	403 600
Series K1 bonds	200 000	PLN	20.10.2017-20.10.2025		201 780	201 800
Series P2A bonds	150 000	PLN	27.11.2017-29.12.2025		153 399	150 058
Subordinated liabilities					1 920 387	1 918 093

25. Fair value hierarchy

25.1 Accounting principles

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

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

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

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

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

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

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

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

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

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

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

30.06.2019	Level 1	Level 2	Level 3	Total
Financial assets				
Measured at fair value through profit and loss	31 571	419 101	108 878	559 550
SWAP	0	331 259	0	331 259
Cap Floor Options	0	298	0	298
FX Swap	0	13 561	0	13 561
FX forward	0	19 844	0	19 844
CIRS	0	11 219	0	11 219

30.06.2019	Level 1	Level 2	Level 3	Total
FX options	0	18 677	0	18 677
Other options	0	0	56 155	56 155
Other instruments	6 740	24 243	0	30 983
Financial derivatives	6 740	419 101	56 155	481 996
Equity instruments	254	0	34 962	35 216
Treasury bonds	24 494	0	0	24 494
Other bonds	83	0	17 761	17 844
Investments securities	24 831	0	52 723	77 554
Measured at fair value through other comprehensive income	6 761 711	1 199 683	98 545	8 059 939
Money bills	0	1 199 683	0	1 199 683
Equity instruments	0	0	25 254	25 254
Treasury bonds	6 742 127	0	0	6 742 127
Other bonds	19 584	0	73 291	92 875
Derivative hedging instruments	0	132 587	0	132 587
Interest rate transactions – SWAP	0	132 587	0	132 587

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

30.06.2019	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	5 498	421 290	56 155	482 943
Bonds	1 454	0	0	1 454
SWAP	0	324 113	0	324 113
Cap Floor Options	0	298	0	298
FX Swap	0	43 924	0	43 924
FX forward	0	7 457	0	7 457
CIRS	0	12 318	0	12 318

30.06.2019	Level 1	Level 2	Level 3	Total
FX options	0	18 501	0	18 501
Other options	0	0	56 155	56 155
Other instruments	4 044	14 679	0	18 723
Derivative hedging instruments	0	16 134	0	16 134
Interest rate swaps - IRS	0	16 134	0	16 134

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

Reconciliation of changes at level 3 of fair value hierarchy

	Assets		Liabilities	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Opening balance	175 676	293 967	36 028	51 719
Increases, of which:	54 184	51 040	42 597	21 180
Valuation recognised in other comprehensive income	9 669	12 557	0	0
Interest recognised in other comprehensive income	657	0	0	0
Valuation recognised in income statement	35 343	9 933	34 231	10 629
Interest recognised in income statement	115	117	0	0
Purchases	8 400	28 433	8 366	10 551
Decreases, of which:	-22 437	-147 951	-22 470	-15 235
Interest recognised in other comprehensive income	657	-1 043	0	0
Valuation recognised in income statement	-1 287	-13 341	-1 260	-12 119
Sale	-21 048	-1 998	-21 210	-3 116
Redemption	-759	-131 569	0	0
Total	207 423	197 056	56 155	57 664

At the end of the first half of 2019, the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 7.55 million and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 1.34 million.

Disclosures of fair value

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

30.06.2019	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Cash and balance with Central Bank	1 786 149	1 786 149	0	0	1 786 149
Amount due from banks	998 666	0	998 666	0	998 666
Loans and advances to customers	56 664 314	0	0	55 268 526	55 268 526
Retail segment	30 392 971	0	0	29 157 519	29 157 519
Consumer loans	17 356 422	0	0	16 796 242	16 796 242
Loans for residential real estate	10 732 556	0	0	10 062 476	10 062 476
Consumer finance loans	2 303 993	0	0	2 298 801	2 298 801
Corporate segment	26 271 343	0	0	26 111 007	26 111 007
Working capital facility	11 960 242	0	0	11 890 701	11 890 701
Investment loans	7 970 741	0	0	7 879 947	7 879 947
Other	6 340 360	0	0	6 340 359	6 340 359
Asstes pledged as collateral	346 178	350 487	0	0	350 487
Investment securities measured at amortized cost	5 490 873	5 533 719	0	0	5 533 719
Other assets	452 034	0	0	452 034	452 034
Liabilities					
Amounts due to banks	1 101 123	0	1 101 123	0	1 101 123
Current deposits	2 207	0	2 207	0	2 207
Overnights	12 201	0	12 201	0	12 201
Term deposits	360 360	0	360 360	0	360 360
Bonds issued	22 757	0	22 757	0	22 757
Credit received	189 574	0	189 574	0	189 574
Other liabilities	505 157	0	505 157	0	505 157
Amounts due to customers	64 885 845	0	0	64 953 863	64 953 863
Current deposits	38 937 810	0	0	38 937 810	38 937 810
Term deposits	22 596 484	0	0	22 596 484	22 596 484
Banking securities issued	2 631 735	0	0	2 699 753	2 699 753
Bonds issued	245 484	0	0	245 484	245 484
Other liabilities	474 332	0	0	474 332	474 332
Other liabilities	852 160	0	0	852 160	852 160
Subordinated liabilities	1 920 387	0	0	1 920 387	1 920 387

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

31.12.2018	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Liabilities					
Amounts due to banks	593 327	0	593 327	0	593 327
Current deposits	4 991	0	4 991	0	4 991
Term deposits	2 770	0	2 770	0	2 770
Bonds issued	22 761	0	22 761	0	22 761
Credit received	230 830	0	230 830	0	230 830
Other liabilities	331 975	0	331 975	0	331 975
Amounts due to customers	62 435 585	0	0	62 476 305	62 476 305
Current deposits	38 677 075	0	0	38 677 075	38 677 075
Term deposits	20 266 510	0	0	20 266 510	20 266 510
Banking securities issued	2 809 479	0	0	2 850 199	2 850 199
Bonds issued	245 367	0	0	245 367	245 367
Other liabilities	437 154	0	0	437 154	437 154
Other liabilities	595 576	0	0	595 576	595 576
Subordinated liabilities	1 918 093	0	0	1 918 093	1 918 093

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

Receivables from customers

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

Financial liabilities measured at amortised cost

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

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

26. Capital adequacy ratio and Tier 1 ratio

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

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

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

The income statement prepared using the prudential consolidation method, which is presented below, has been prepared in accordance with the accounting principles adopted by the Group, apart from including in the consolidation only Alior Bank SA and Alior Leasing sp. z o.o. in accordance with the statement above.

	01.01.2019 - 30.06.2019
Interest income	1 990 744
Income of a similar nature	75 071
Interest expense	-433 523
Net interest income	1 632 292
Fee and commission income	547 734
Fee and commission expense	-221 453
Net fee and commission income	326 281
Dividend income	7 191
The result on financial assets measured at fair value through profit or loss and FX result	33 271
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss including:	21 758
measured at fair value through other comprehensive income	14 700
measured at amortized cost	7 058
Other operating income	57 531
Other operating costs	-47 985
Net other operating income and expenses	9 546
General administrative expenses	-890 217
Net expected credit losses	-777 431
Banking tax	-110 201
Gross profit	252 490
Income tax	-82 601
Net profit	169 889

Equity for the purposes of the capital adequacy

	30.06.2019	31.12.2018
Total equity for the capital adequacy ratio	8 054 914	8 156 980
Tier I core capital (CET1)	6 569 463	6 594 281
Supplementary Tier II capital	1 485 451	1 562 699
Paid-up capital	1 305 540	1 305 187
Supplementary capital	5 388 926	5 380 995
Other reserves	184 284	184 284
Current year's reviewed by auditor	0	539 099
Accumulated losses	-435 075	-1 151 445
Revaluation reserve – unrealised losses	-6 585	-5 937
Intangible assets measured at carrying value	-538 457	-539 273
Revaluation reserve – unrealised profit	28 472	39 196
Subordinated liabilities	1 485 451	1 562 699
Additional value adjustments	642 357	842 174
Capital requirements	4 069 202	4 117 481
Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 752 234	3 662 124
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk.	864	3 497
Capital requirement relating to the general interest rate risk	27 261	36 991
Total capital requirements for the operational risk	288 844	414 870
Tier 1 ratio	12.92%	12.81%
Total capital adequacy ratio	15.84%	15.85%

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

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

	Impact of IFRS 9 including the transition period	Impact of IFRS 9 without considering the transition period
Total capital (TIER 1, TIER 2)	8 054 914	6 882 450
The total capital requirement	4 069 202	4 051 625
Total capital ratio	15.84%	13.59%
Financial leverage ratio	8.06%	6.65%

27. Off – balance sheet items

Off-balance contingent liabilities granted to customers	30.06.2019	31.12.2018
Granted off-balance liabilities	9 989 417	10 902 052
Concerning financing	9 112 327	9 996 156
Guarantees	877 090	905 896
performance guarantees	217 324	215 724
financial guarantees	659 766	690 172

28. Transactions with related entities

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

Parent company	30.06.2019	31.12.2018
Liabilities		
Amounts due to customers	145	78
Provisions	70	4
Total liabilities	215	82

Subsidiaries of the parent company	30.06.2019	31.12.2018
Assets		
Financial assets	177 266	199 700
measured at amortized cost	149 379	149 289
measured at fair value through other comprehensive income	27 306	50 180
measured at fair value through profit or loss	581	231
Derivative hedging instruments	700	476
Amounts due from banks	141	224
Total assets	178 107	200 400
Liabilities		
Amounts due to banks	12 201	0
Amounts due to customers	378 447	313 933
Financial liabilities measured at fair value through profit or loss	211	178
Derivative hedging instruments	202	205
Provisions	4 495	5
Other liabilities	11 847	3 757
Revaluation reserve	5	-1 348
Total liabilities and equity	407 408	316 730

Parent company	30.06.2019	31.12.2018
Off-balance liabilities granted to customers	0	116
guarantees	0	116

Joint control by persons related to the Group	30.06.2019	31.12.2018
Assets		
Amounts due from customers	1	0
Total assets	1	0
Liabilities		
Amounts due to customers	11 132	31 277
Total liabilities and equity	11 132	31 277

Parent company	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018 Restated
Fee and commission income	3	5
Fee and commission expense	-624	0
Net other operating income and expenses	13 374	0
General administrative expenses	-16	-594
Net expected credit losses, impairment allowances and write-downs	-65	0
Total	12 672	-589

Subsidiaries of the parent company	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018 Restated
Interest income	9	34
Interest expense	-4 583	-3 446
Fee and commission income	20 592	2 728
Fee and commission expense	-2	-3
The result on financial assets measured at fair value through profit or loss and FX result	-154	-2 149
General administrative expenses	14	1 454
Total	15 876	-1 382

Joint control by persons related to the Group	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018 Dane przekształcone
Interest expense	-21	-141
Fee and commission income	4	9
Net expected credit losses, impairment allowances and write-downs	1	0
Total	-16	-132

Nature of transactions with related parties

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

Transactions with the State Treasury and related entities

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

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

State Treasury and related entities	30.06.2019	31.12.2018
Assets		
Financial assets	12 711 092	13 537 573
measured at fair value through other comprehensive income	6 840 001	7 250 424
measured at fair value through profit or loss	42 185	21 631
measured at amortized cost	5 828 906	6 265 518
Amounts due from banks	182	628
Amounts due from customers	26 043	23 416
Total assets	12 737 317	13 561 617
Liabilities		
Financial liabilities measured at fair value through profit or loss	1 454	0
Amounts due to banks	424 012	127 772
Amounts due to customers	1 511 673	934 724
Total liabilities	1 937 139	1 062 496

Transactions with the State Treasury and related entities	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018 Dane przekształcone
Interest income	130 692	127 478
Interest expense	-17 968	-19 812
Costs of tax paid	-288 796	-321 128
Total	-176 072	-213 462

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

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

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

30.06.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
Assets			
Amounts due from customers	11	0	11
Total assets	11	0	11
Liabilities			
Amounts due to customers	2 058	51	2 007
Total liabilities	2 058	51	2 007

30.06.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
Off-balance sheet liabilities granted to customers	34	0	34
Relating to financing	34	0	34

The total remuneration of the Bank's Supervisory Board members and Management Board members performing their duties from 1 January to 30 June 2019 recognized in the Group's profit and loss account for this period amounted to PLN 4 211 thousand (in the period from 1 January to 30 June 2018 it amounted to PLN 5 328 thousand).

30. Incentive program for senior executives

Alior Bank SA operates the following incentive programs:

- management option scheme, valid for 2013-2015, in accordance with the Compensation Policy of Variable Remuneration of Persons Holding Management Positions at Alior Bank, this program will be settled by 2020;
- bonus scheme for the Management Board, valid from 2016;
- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash;
- share subscription program as part of the management option scheme at Alior Leasing sp. o.o.

These programs are a continuation of the programs described in Alior Bank's consolidated financial statements dated on 31 December 2018.

31. Legal claims

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

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

not issue a decision on the admissibility of considering a class action. In addition, Alior Bank assumes that the risk of a disadvantageous settlement of the suit and a significant loss in this respect is estimated at a lower than medium level, thus as at 30 June 2019, the Bank did not create any provisions in respect of this claim. At the present stage, it is not possible to estimate the financial consequences for the Bank in the event of a different settlement by the court than assumed by the Bank.

In addition, on 14 September 2018, the Polish Financial Supervision Authority initiated administrative proceedings regarding the imposition of a financial penalty on the basis of art. 167 para. 2 point 1 in conjunction from art. 167 para. 1 point 1 of the Act on Trading in Financial Instruments in connection with irregularities. The proceeding is related to the inspection carried out by the Polish Financial Supervision Authority from November 2017 to May 2018, which concerned the correct operation of Alior Bank and the Brokerage Office in the scope of distribution of investment certificates of funds previously managed by Fincrea TFI SA, and currently Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland.

The value of disputed claims amounted to PLN 283 852 thousand as at the end of first half 2019 and PLN 258 700 thousand as at the end of 2018.

The value of provisions for disputed claims amounted to PLN 39 341 thousand as at the end of first half 2019 and PLN 35 064 thousand as at the end of 2018.

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

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

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

In addition, on 23 January 2019, Alior Leasing sp. o.o. received from the four former members of the company's Management Board a written proposal for an amicable termination of cooperation and contracts of management, which was based on payment of compensation of the some value of the management option scheme. Bearing in mind the legal opinions issued in this case, the Group is of the opinion that the chances effective recovery of their rights under the management option scheme.by the dismissed Management Board members are low

In connection with the above, no provisions were created in the Group's financial statements.

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

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

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

During the first half of 2019 there were no material purchases or disposals of property, plant and equipment or of intangible assets. There are no significant liability for the purchase of property, plant and equipment.

33. Appropriation of the profit for 2018 and information on no dividend payment

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

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

34. Risk management

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

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

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2018 published on 28 February 2019 and available on the Alior Bank SA website.

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

Liquidity risk

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

30.06.2019	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	3 877	2 935	2 464	3 531	6 817	10 752	23 118	41 511	95 005
Cash & Nostro	2 212	0	0	0	0	0	0	0	2 212
Amounts due from banks	418	7	0	0	0	146	0	0	571
Amounts due from customers	1 046	1 388	2 461	3 178	6 130	8 969	17 003	33 255	73 430
Securities	201	1 540	3	353	687	1 637	6 115	4 585	15 121
Other assets	0	0	0	0	0	0	0	3 671	3 671
LIABILITIES AND EQUITY	-43 768	-5 253	-6 705	-4 399	-3 781	-3 996	-1 835	-8 022	-77 759
Amounts due to banks	-521	-333	-48	-56	-10	-28	-51	-82	-1 129
Amounts due to customers	-41 234	-4 852	-6 559	-3 948	-3 208	-2 025	-364	-73	-62 263
Own issues	-19	-63	-73	-357	-487	-1 839	-1 256	-1 143	-5 237

Equity	0	-4	-8	-12	-24	0	0	-6 606	-6 654
Other liabilities	-1 994	-1	-17	-26	-52	-104	-164	-118	-2 476
Balance sheet gap	-39 891	-2 318	-4 241	-868	3 036	6 756	21 283	33 489	17 246
Cumulated balance sheet gap	-39 891	-42 209	-46 450	-47 318	-44 282	-37 526	-16 243	17 246	
Derivative instruments – inflows	3 056	4 825	1 747	1 868	839	438	403	43	13 219
Derivative instruments – outflows	-3 056	-4 784	-1 751	-1 871	-841	-442	-416	-42	-13 203
Derivative instruments – net	0	41	-4	-3	-2	-4	-13	1	16
Guarantee and financing lines	-9 989	0	0	0	0	0	0	0	-9 989
Off-balance sheet gap	-9 989	41	-4	-3	-2	-4	-13	1	-9 973
Total gap	-49 880	-2 277	-4 245	-871	3 034	6 752	21 270	33 490	7 273
Total cumulated gap	-49 880	-52 157	-56 402	-57 273	-54 239	-47 487	-26 217	7 273	

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

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

35. Acquisition of Spółdzielcza Kasa Oszczędnościowo – Kredytowa

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

Pursuant to Art. 74c (4) of the Act on Credit Unions, the acquiree assumes all the rights and obligations of the acquired union as of the acquisition date. Until the date of the acquisition by Alior Bank SA., SKOK Jaworzno conducted the full range of business activities and offered the full range of services to its members as

previously. Alior Bank once again joined the recovery process of Cooperative Savings and Credit Union supported by the Financial Supervision Authority (KNF) and the Bank Guarantee Fund (BFG). The acquisition of SKOK Jaworzno by Alior Bank SA will guarantee the full safety of the funds accumulated by the acquired Spółdzielcza Kasa Oszczędnościowo - Kredytowa Jaworzno and provide SKOK Jaworzno members with access to a wider product offer by Alior Bank SA.

The acquisition was settled in accordance with IFRS 3 in the Bank's accounting books. The acquisition process was carried out with the assumption of the BGF support to the Bank based on art. 264 of the Bank Guarantee Fund Act and did not involve payment by the Bank. The BFG support will consist subsidising and providing guarantees to cover losses (relevant contracts are being finalized) resulting from the risk related to the acquired property rights of SKOK Jaworzno. The BFG subsidy will be granted to cover the difference between the value of acquired property rights and liabilities due to guaranteed deposits of SKOK depositors as established as at the acquisition date and as at 30 June 2019 its value was estimated at PLN 95.8 M. According to IFRS 3, the Bank has 12 months for the final settlement of the acquisition - by the end of March 2020 therefore amounts accepted for settlement of the transaction as at 30 June 2019 may still be subject to change.

In accordance with IFRS 3, the Bank recognized in its books the fair values of acquired assets and liabilities.

1. Corrections of the loan portfolio

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

2. Correction of the deposit portfolio

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

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

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

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

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

Liabilities	Fair value of acquired liabilities
Liabilities due to customers guaranteed by BGF	319 796
Provision	13 190
Other liabilities	2 808
Total liabilities	335 794

Identifiable net assets	-102 229
Subsidy from BGF	95 788
Goodwill	-6 441

In the part not covered by BGF support and due to differences in accounting principles, the Bank recognised goodwill in the amount of thousand PLN 6 441. The Bank has made a total written off of goodwill in cost

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

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

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

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

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

Synthetic securitisation transaction

On 7 December 2018, the Bank entered into an agreement to carry out synthetic securitisation of its business loan portfolio for PLN 1.5 billion with the European Investment Fund and the European Investment Bank as a co-guarantor, as a result of the transaction, the Bank's potential in further financing of SMEs will be increased.

The transaction was split into three tranches: junior, mezzanine and senior, where the risk of the junior tranche remains with Alior Bank, while the risk of the mezzanine and senior tranches is transferred to EIF and EIB.

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

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

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

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

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

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

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

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

Management Board of the Bank maintains its opinion that the restructuring scenario is the most advantageous.

37. Significant events after the end of the reporting period

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

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

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

38. Financial forecast

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



Interim condensed separate
financial statements
of Alior Bank Spółka Akcyjna
for the first half of 2019

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

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Interim condensed separate income statement

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated*	01.01.2018 - 30.06.2018 Restated*
Interest income	1 011 870	1 999 856	945 304	1 856 612
Income of a similar nature	38 603	75 071	52 175	87 253
Interest expense	-216 149	-431 665	-227 811	-437 359
Net interest income	834 324	1 643 262	769 668	1 506 506
Fee and commission income	264 979	507 300	252 928	507 947
Fee and commission expense	-123 996	-217 711	-91 438	-175 905
Net fee and commission income	140 983	289 589	161 490	332 042
Dividend income	7 191	7 191	94	94
The result on financial assets measured at fair value through profit or loss and FX result	10 731	33 317	42 530	52 720
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	4 465	21 760	21 249	32 794
measured at fair value through other comprehensive income	4 279	14 702	20 927	32 112
measured at amortized cost	186	7 058	322	682
Other operating income	24 956	53 376	21 240	54 078
Other operating expenses	-26 788	-47 210	-25 823	-45 928
Net other operating income and expenses	-1 832	6 166	-4 583	8 150
General administrative expenses	-365 186	-853 040	-408 164	-850 657
Net expected credit losses, impairment allowances and write-downs	-502 317	-767 714	-223 889	-478 476
Banking tax	-55 969	-110 201	-53 011	-102 901
Gross profit	72 390	270 330	305 384	500 272
Income tax	-24 612	-91 912	-85 100	-139 409
Net profit	47 778	178 418	220 284	360 863
Weighted average number of ordinary shares	130 553 991	130 553 991	129 760 548	129 519 848
Net profit per share (PLN)	0,37	1,37	1,70	2,79
Diluted profit per ordinary share (PLN)	0,36	1,35	1,68	2,76

*clarification in note 3

Interim condensed consolidated statement of comprehensive income

	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019	01.04.2018 - 30.06.2018 Restated*	01.01.2018 - 30.06.2018 Restated*
Net profit	47 778	178 418	220 284	360 863
Items that may be reclassified to the income statement after certain conditions are satisfied	58 736	10 237	-26 006	39 051
Foreign currency translation differences	71	311	-209	-824
Results of the measurement of financial assets (net)	49 935	-9 210	-29 871	20 860
profit/loss on valuation of financial assets measured at fair value through other comprehensive income	61 648	-11 371	-36 877	26 130
deferred tax	-11 713	2 161	7 006	-5 270
Results on the measurement of hedging instruments (net)	8 730	19 136	4 074	19 015
gains/losses on hedging instruments	10 778	23 625	5 029	23 475
deferred tax	-2 048	-4 489	-955	-4 460
Total comprehensive income, net	106 514	188 655	194 278	399 914

*clarification in note 3

The notes presented on pages 54-57 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of financial position

ASSETS	30.06.2019	31.12.2018
Cash and balances with the Central Bank	1 786 149	1 639 033
Amounts due from banks	997 221	611 436
Financial assets:	14 110 362	13 727 570
measured at fair value through other comprehensive income	8 059 939	7 280 080
measured at fair value through profit or loss	559 550	515 138
measured at amortized cost	5 490 873	5 932 352
Derivative hedging instruments	132 587	112 400
Loans and advances to customers	56 712 280	54 239 172
Assets pledged as collateral	346 178	333 286
Property, plant and equipment	798 560	450 404
Intangible assets	526 188	528 501
Investments in subsidiaries and associates	186 888	158 681
Non-current assets held for sale	102	146
Income tax asset	965 071	924 383
deferred tax assets	965 071	924 383
Other assets	412 382	517 883
TOTAL ASSETS	76 973 968	73 242 895
LIABILITIES AND EQUITY	30.06.2019	31.12.2018
Amounts due to banks	994 325	473 842
Amounts due to customers	64 886 274	62 427 865
Financial liabilities measured at fair value through profit or loss	482 943	416 407
Derivative hedging instruments	16 134	9 381
Provisions	117 447	126 172
Other liabilities	1 806 599	1 111 457
Income tax liabilities	10 380	208 854
current tax liabilities	10 380	208 854
Subordinated liabilities	1 920 387	1 918 093
Total liabilities	70 234 489	66 692 071
Share capital	1 305 540	1 305 540
Supplementary capital	5 388 926	5 382 819
Revaluation reserve	62 090	52 164
Other reserves	184 284	184 284
Foreign currency translation differences	109	-202
Accumulated losses	-379 888	-1 104 855
Profit for the period	178 418	731 074
Equity	6 739 479	6 550 824
TOTAL LIABILITIES AND EQUITY	76 973 968	73 242 895

The notes presented on pages 54-57 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of changes in equity

01.01.2019 – 30.06.2019	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2019	1 305 540	5 382 819	184 284	52 164	-202	-373 781	6 550 824
transfer of the previous year result	0	6 107	0	0	0	-6 107	0
Comprehensive income	0	0	0	9 926	311	178 418	188 655
net profit	0	0	0	0	0	178 418	178 418
other comprehensive income – valuations	0	0	0	9 926	311	0	10 237
financial assets measured at fair value through other comprehensive income	0	0	0	-9 210	0	0	-9 210
hedging instruments	0	0	0	19 136	0	0	19 136
currency translation differences	0	0	0	0	311	0	311
30 June 2019	1 305 540	5 388 926	184 284	62 090	109	-201 470	6 739 479

01.01.2018- 31.12.2018	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2018	1 292 636	4 817 331	184 894	13 944	594	424 978	6 734 377
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 033 989	-1 023 360
Transfer of last year's profit	0	495 844	0	0	0	-495 844	0
Comprehensive income	0	0	0	27 591	-796	731 074	757 869
net profit	0	0	0	0	0	731 074	731 074
other comprehensive income – valuations	0	0	0	27 591	-796	0	26 795
financial assets measured at fair value through other comprehensive income	0	0	0	-6 658	0	0	-6 658
hedging instruments	0	0	0	34 249	0	0	34 249
currency translation differences	0	0	0	0	-796	0	-796
Share issue	12 904	69 644	0	0	0	0	82 548
Other changes in equity	0	0	-610	0	0	0	-610
31 December 2018	1 305 540	5 382 819	184 284	52 164	-202	-373 781	6 550 824

01.01.2018- 30.06.2018 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
01 January 2018	1 292 636	4 817 331	184 894	13 944	594	424 978	6 734 377
IFRS 9 impact and other changes	0	0	0	10 629	0	-1 033 989	-1 023 360
Transfer of last year's profit	0	495 844	0	0	0	-495 844	0
Comprehensive income	0	0	0	39 875	-824	360 863	399 914
net profit	0	0	0	0	0	360 863	360 863
other comprehensive income – valuations	0	0	0	39 875	-824	0	39 051
financial assets measured at fair value through other comprehensive income	0	0	0	20 860	0	0	20 860
hedging instruments	0	0	0	19 015	0	0	19 015
currency translation differences	0	0	0	0	-824	0	-824
Share issue	11 951	67 820	600	0	0	0	80 371
30 June 2018	1 304 587	5 380 995	185 494	64 448	-230	-743 992	6 191 302

*clarification in note 3

The notes presented on pages 54-57 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate statement of cash flows

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018 Restated*
Operating activities		
Profit before tax for the year	270 330	500 272
Adjustments:	125 372	88 175
Unrealized foreign exchange gains/losses	773	2 657
Amortization/depreciation of tangible and intangible assets and lease	115 734	83 192
Change in impairment loss of tangible fixed and intangible assets	1 674	2 232
Dividends	7 191	94
Gross profit after adjustments and before changing balances	395 702	588 447
Change in loans and receivables	-2 652 774	-1 963 782
Change in financial assets measured at fair value through other comprehensive income	-779 859	1 525 600
Change in financial assets measured at fair value through profit or loss	-44 412	-211 876
Change in financial assets measured at amortized cost	441 479	-550 218
Change in assets pledged as collateral	-12 892	73 250
Change in hedging asset derivatives	-20 187	15 353
Change in non-current assets held for sale	44	86
Change in other assets	105 502	168 071
Change in deposits	2 947 437	1 612 951
Change in issued debt	-177 631	-37 666
Change in financial liabilities held for trading	66 536	10 054
Change in hedging liabilities derivative	6 753	3 337
Change in other liabilities and other comprehensive income	573 675	-583 250
Change in provisions	-8 725	99 156
Net cash flow from operating activities before income tax	840 648	749 513
Income tax paid	-312 398	-196 623
Net cash flow from operating activities	528 250	552 890
Investing activities		
Outflows:	-131 866	-97 158
Purchase of property, plant and equipment	-73 882	-16 076
Purchase of intangible assets	-29 777	-36 274
Investments in subsidiaries	-28 207	-44 808
Inflows:	6 648	344
Disposal of tangible fixed assets	6 648	344
Net cash flow from investing activities	-125 218	-96 814
Financing activities		
Outflows:	-48 789	-51 662
Interest expense – subordinated loan	-48 789	-51 662
Inflows:	0	12 551
Inflows from share issue	0	12 551
Net cash flow from financing activities	-48 789	-39 111
Total net cash flow	354 243	416 965
incl. exchange gains/(losses)	-8 332	35 575
Balance sheet change in cash and cash equivalents	354 243	416 965
Cash and cash equivalents, opening balance	2 077 630	1 611 714
Cash and cash equivalents, closing balance	2 431 873	2 028 679
Additional disclosures on operating cash flows		
Interests received	2 363 002	2 034 721
Interests paid	-390 048	-470 180

*clarification in note 3

The notes presented on pages 54-57 constitute an integral part of these interim condensed consolidated financial statements.

1. Basis for preparation

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the first half of 2019 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the financial period from 1 January 2019 to 30 June 2019, and interim condensed separate statement of financial position as at 30 June 2019 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2019.

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise the data concerning the Bank and cover the period of six months ended on 30 June 2019 and contain comparative data for the period of six months ended 30 June 2018 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows) and comparative data as at 31 December 2018 (with respect to the separate statement of financial position). The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, amounts are presented in thousands of zlotys.

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2019.

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

2. Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2018, published on 28 February 2019 and available on the Alior Banku SA website. Changes in accounting principles effective from 1 January 2019 were presented in the interim condensed consolidated financial statements in Note 2.2.

3. Changes in presentation and restatement of comparative data and explanation of differences in relation to previously published financial statements

- Result on sales of receivables and on significant modification (change I)

In relation to the published interim separate financial statements as of 30 June 2018 in this report the presentation of the result on sales of receivables and result on significant modification were changed in order to better reflect the economic character of those transactions.

- Recoveries from loans and advances (change II)

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

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

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

The changes concern:

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

- Realized margin on foreign exchange transactions (change IV)

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

- Income tax (change V)

The Bank changed the rules of recognizing the charges due to income tax in the first half of 2019. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Income statement	01.01.2018 – 30.06.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.06.2018 Restated
Net interest income	1 505 367	1 139	0	0	0	0	1 506 506
Net fee and commission income	198 782	1 121	0	0	132 139	0	332 042
The result on financial assets measured at fair value through profit or loss and FX result (trading)	184 859	0	0	0	-132 139	0	52 720
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	61 368	-28 574	0	0	0	0	32 794
Net other operating income and expenses	12 883	0	-4 733	0	0	0	8 150
Net expected credit losses, impairment allowances and write-downs	-504 898	26 314	4 733	-4 625	0	0	-478 476
Gross profit	504 897	0	0	-4 625	0	0	500 272
Income tax	-140 256	0	0	879	0	-32	-139 409
Net profit	364 641	0	0	-3 746	0	-32	360 863

Statement of cash flows	01.01.2018 – 30.06.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.06.2018 Restated
Profit before tax	504 897	0	0	-4 625	0	0	500 272
Change in loans and receivables	-2 207 045	0	0	243 263	0	0	-1 963 782
Change in other liabilities and other comprehensive income	-339 193	0	0	-244 057	0	0	-583 250
Change in provisions	93 737	0	0	5 419	0	0	99 156

Statement of changes in equity	01.01.2018 – 30.06.2018	change I	change II	change III	change IV	change V	01.01.2018 – 30.06.2018 Restated
IFRS 9 impact and other changes	-834 261	0	0	-199 728	0	0	-1 033 989
Profit for the period	364 641	0	0	-3 746	0	-32	360 863
Equity at the end of the period	6 394 808	0	0	-203 474	0	-32	6 191 302

4. Off-balance-sheet items

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

5. Transactions with related parties

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

Bank's subsidiaries and associate are:

Company's name – subsidiaries	30.06.2019	31.12.2018
Alior Services sp. z o.o.	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Alior TFI SA	100%	100%
Absource sp. z o.o.	100%	100%
Corsham sp. z o.o.*	100%	-
- <i>PayPo sp. z o.o.**</i>	20%	-

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

Company's name – associate	30.06.2019	31.12.2018
PayPo sp. z o.o. / GTR Finance sp. z o.o. *	-	20%

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

Subsidiaries	30.06.2019	31.12.2018
Assets		
Loans and advances to customers	1 581 928	1 540 046
Other assets	2 437	1 484
Total assets	1 584 365	1 541 530
Liabilities		
Amounts due to customers	47 559	57 427
Provisions	381	27

Other liabilities	3 713	3 723
Total liabilities	51 653	61 177

Subsidiaries	30.06.2019	31.12.2018
Off-balance sheet liabilities granted to customers	355 347	270 537
relating to financing	178 995	92 194
guarantees	176 352	178 343

Subsidiaries	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018
Interest income	28 155	18 571
Interest expense	-126	-38
Fee and commission income	1 609	3 042
Fee and commission expense	-328	-385
Dividend income	7 018	0
Other operating income	667	181
Other operating costs	-1	-6
General administrative expenses	-3 320	-2 725
Net expected credit losses, impairment allowances and write-downs	-2 957	5 211
Total	30 717	23 851

6. Significant events after the end of the reporting period

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