Financial report

of the Alior Bank Spółka Akcyjna Group

for the first half of 2018

(in PLN '000)

Selected financial data

PLN	01.01.2018 - 30.06.2018 A	01.01.2017-31.12.2017 Restated	01.01.2017 - 30.06.2017 Restated B	% (A-B)/B C
Net interest income	1 499 801	2 856 141	1 385 668	8.2%
Net fee and commission income	214 209	430 751	223 227	-4.0%
Trading result & other	279 844	385 940	184 527	51.7%
Net expected credit losses.impairment allowances and write-downs	-509 245	-929 617	-467 699	8.9%
General administrative expenses	-886 253	-1 853 575	-1 002 059	-11.6%
Gross profit	495 455	689 123	224 936	120.3%
Net profit	359 973	471 570	161 959	122.3%
Net cash flow	415 794	-94 877	1 158 334	-64.1%
Loans and advances to customers	52 674 334	51 266 640	49 079 354	7.3%
Amounts due to customers	59 645 174	57 657 019	51 720 570	15.3%
Equity	6 336 463	6 690 983	6 341 914	-0.1%
Total assets	70 538 243	69 515 982	61 858 805	14.0%
Selected ratios				
Profit per ordinary share (PLN)	2.78	3.65	1.25	121.8%
Capital adequacy ratio	15.43%	15.21%	13.65%	13.0%
Tier 1	12.20%	12.10%	11.54%	5.7%

EUR	01.01.2018 - 30.06.2018 A	01.01.2017-31.12.2017 Restated	01.01.2017 - 30.06.2017 Restated B	% (A-B)/B C
Net interest income	353 768	672 872	326 239	8.4%
Net fee and commission income	50 527	101 480	52 556	-3.9%
Trading result & other	66 009	90 923	43 445	51.9%
Net expected credit losses.impairment allowances and write-downs	-120 119	-219 007	-110 114	9.1%
General administrative expenses	-209 047	-436 680	-235 923	-11.4%
Gross profit	116 866	162 349	52 959	120.7%
Net profit	84 909	111 096	38 131	122.7%
Net cash flow	98 076	-22 352	272 716	-64.0%
Loans and advances to customers	12 076 837	12 291 505	11 612 292	4.0%
Amounts due to customers	13 675 067	13 823 640	12 237 210	11.7%
Equity	1 452 784	1 604 206	1 500 512	-3.2%
Total assets	16 172 561	16 666 902	14 635 941	10.5%
Selected ratios				
Profit per ordinary share (PLN)	0.66	0.86	0.30	122.2%
Capital adequacy ratio	15.43%	15.21%	13.65%	13.0%
Tier 1	12.20%	12.10%	11.54%	5.7%

Selected items of the consolidated financial statements were translated into EUR at the following exchange rates	30.06.2018	31.12.2017	30.06.2017
NBP's average exchange rate as at the end of the period	4.3616	4.1709	4.2265
NBP's average exchange rates as at the last day of each month of the perio	4.2395	4.2447	4.2474

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

for the first half of 2018

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

Contents

(in PLN '000)

Interim condensed consolidated income statement

	Note number	01.04.2018 - 30.06.2018	01.01.2018- 30.06.2018	01.04.2017- 30.06.2017 Restated *	01.01.2017 -30.06.2017 Restated *
Interest income		938 879	1 851 357	892 704	1 760 030
Income of a similar nature		52 175	87 253	n/a	n/a
Interest expense		-228 486	-438 809	-170 049	-374 362
Net interest income	4	762 568	1 499 801	722 655	1 385 668
Dividend income		94	94	2	2
Fee and commission income		199 858	396 132	203 275	392 363
Fee and commission expense		-94 428	-181 923	-91 077	-169 136
Net fee and commission income	5	105 430	214 209	112 198	223 227
The result on financial assets measured at fair value through profit or loss and trading result	6	107 523	185 157	90 085	155 646
Net gain (realized) on other financial instruments	7	n/a	n/a	712	1 166
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7	45 866	61 368	n/a	n/a
measured at fair value through other comprehensive income		20 927	32 112	n/a	n/a
measured at amortized cost		24 939	29 256	n/a	n/a
Other operating income		29 075	79 406	28 055	60 374
Other operating expenses		-25 884	-46 181	-17 066	-32 661
Net other operating income and expenses	8	3 191	33 225	10 989	27 713
General administrative expenses	9	-430 160	-886 253	-503 156	-1 002 059
Net expected credit losses, impairment allowances and write-downs	10	-268 718	-509 245	-256 083	-467 699
Banking tax		-53 011	-102 901	-49 201	-98 728
Gross profit		272 783	495 455	128 201	224 936
Income tax	11	-77 179	-135 482	-28 411	-62 977
Net profit		195 604	359 973	99 790	161 959
Net profit attributable to equity holders of the parent		195 606	359 973	99 761	161 886
Net profit attributable to non-controlling interests		-2	0	29	73
Net profit		195 604	359 973	99 790	161 959
Weighted average number of ordinary shares		129 760 548	129 519 848	129 257 763	129 257 763
Net profit per ordinary share(PLN)	12	1.51	2.78	0.77	1.25
Diluted profit per ordinary share(PLN)	12	1.49	2.75	0.76	1.23

Interim condensed consolidated statement of comprehensive income

	01.04.2018 - 30.06.2018	01.01.2018 - 30.06.2018	01.04.2017 - 30.06.2017 Restated *	01.01.2017 – 30.06.2017 Restated *
Net profit	195 604	359 973	99 790	161 959
Items that may be reclassified to the income statement after certain conditions are satisfied	-26 006	39 051	12 947	40 353
Foreign currency translation differences	-209	-824	5	77
Results of the measurement of financial assets (net)	-29 871	20 860	11 928	34 583
Profit/loss on fair valuation of available for sale financial assets	n/a	n/a	14 842	42 370
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	-36 877	26 130	n/a	n/a
Deferred tax	7 006	-5 270	-2 914	-7 787
Results on the measurement of hedging instruments (net)	4 074	19 015	1 014	5 693
Gains/losses on hedging instruments	5 029	23 475	1 056	6 644
Deferred tax	-955	-4 460	-42	-951
Total comprehensive income, net	169 598	399 024	112 737	202 312
- attributable to shareholders of the parent company	169 600	399 024	112 752	202 283
- attributable to non-controlling interests	-2	0	-15	29

**details in note 2.3*

The notes presented on pages 9-52 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note number	30.06.2018	31.12.2017 Restated *	01.01.2017 Restated *
Cash and balances with the Central Bank	13	1 480 368	965 391	1 082 991
Amounts due from banks	14	742 611	901 629	1 366 316
Financial assets:	15	12 880 942	13 642 769	9 796 151
measured at fair value through other comprehensive income		8 124 256	n/a	n/a
measured at fair value through profit or loss		702 996	n/a	n/a
measured at amortized cost		4 053 690	n/a	n/a
available-for-sale		n/a	12 072 324	9 374 646
held to maturity		n/a	1 117 894	1 954
held for trading		n/a	452 551	419 551
Derivative hedging instruments		72 432	87 785	71 684
Loans and advances to customers	16	52 674 334	51 266 640	46 247 188
Assets pledged as collateral	18	335 661	408 911	366 984
Property, plant and equipment		441 154	475 691	485 796
Intangible assets		550 925	548 587	516 444
Non-current assets held for sale		271	357	679
Income tax asset	12	860 018	591 782	548 442
deferred		860 018	591 782	548 442
Other assets	17	499 527	626 440	685 996
TOTAL ASSETS		70 538 243	69 515 982	61 168 671

LIABILITIES AND EQUITY	Note number	30.06.2018	31.12.2017 Restated*	01.01.2017 Restated*
Amounts due to banks	19	698 325	891 645	428 640
Amounts due to customers	20	59 645 174	57 657 019	51 384 128
Financial liabilities	23	445 932	435 878	298 314
held for trading		n/a	435 878	298 314
measured at fair value through profit or loss		445 932	n/a	n/a
Derivative hedging instruments		8 756	5 419	6 119
Provisions	21	184 994	90 457	286 815
Other liabilities	22	1 149 084	1 693 915	1 433 301
Income tax liabilities		150 527	135 690	33 517
current		150 016	135 204	32 762
deferred		511	486	755
Subordinated liabilities	24	1 918 988	1 914 976	1 164 794
Total liabilities		64 201 780	62 824 999	55 035 628
Share capital		1 304 587	1 292 636	1 292 578
Supplementary capital		5 385 004	4 820 048	4 185 843
Revaluation reserve		64 448	13 944	-71 615
Other reserves		172 839	183 824	183 957
Foreign currency translation differences		-230	594	-22
Accumulated losses		-950 158	-92 579	-33 904
Profit for the period		359 973	471 194	575 227
Non-controlling interests		0	1 322	979
Equity		6 336 463	6 690 983	6 133 043
TOTAL LIABILITIES AND EQUITY		70 538 243	69 515 982	61 168 671

**details at note 2.3*

The notes presented on pages 9-52 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed statement of changes in consolidated equity

01.01.2018- 30.06.2018	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		-832 155	0	-821 526
Transfer of last year's profit		497 136				-497 136		0
Comprehensive income	0	0	0	39 875	-824	359 973	0	399 024
net profit	0	0	0	0	0	359 973	0	359 973
other comprehensive income – valuations	0	0	0	39 875	-824	0	0	39 051
inc. measured at fair value through other comprehensive income	0	0	0	20 860	0	0	0	20 860
inc. hedging derivatives	0	0	0	19 015	0	0	0	19 015
inc. 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	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	-590 185	0	6 336 463

*details in Note 2.2

1.01.2017- 31.12.2017 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 2017	1 292 578	4 185 843	183 957	-71 615	-22	568 142	979	6 159 862
Adjustment of the opening balance	0	0	0	0	0	-26 819	0	-26 819
1 January 2017 after restatment	1 292 578	4 185 843	183 957	-71 615	-22	541 323	979	6 133 043
Transfer of last year's profit	0	633 902	0	0	0	-633 902	0	0
Comprehensive income	0	0	0	85 559	616	471 194	376	557 745
net profit	0	0	0	0	0	471 194	376	471 570
other comprehensive income – valuations	0	0	0	85 559	616	0	0	86 175
inc. available-for-sale financial assets	0	0	0	85 861	0	0	0	85 861
inc. hedging derivatives	0	0	0	-302	0	0	0	-302
inc. currency translation differences	0	0	0	0	616	0	0	616
Share issue	58	303	0	0	0	0	0	361
Other changes	0	0	-133	0	0	0	-33	-166
31 December 2017	1 292 636	4 820 048	183 824	13 944	594	378 615	1 322	6 690 983

1.01.2017- 30.06.2017 Rstated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2017	1 292 578	4 185 843	183 957	-71 615	-22	611 193	979	6 202 913
Adjustment of the opening balance	0	0	0	0	0	-26 819	0	-26 819
1 January 2017 after restatment	1 292 578	4 185 843	183 957	-71 615	-22	584 374	979	6 176 094
Transfer of last year's profit	0	633 902	0	0	0	-633 902	0	0
Comprehensive income	0	0	0	40 276	77	161 886	73	202 312
net profit	0	0	0	0	0	161 886	73	161 959
other comprehensive income – valuations	0	0	0	40 276	77	0	0	40 353
inc. available-for-sale financial assets	0	0	0	34 583	0	0	0	34 583
inc. hedging derivatives	0	0	0	5 693	0	0	0	5 693
inc. currency translation differences	0	0	0	0	77	0	0	77
Other changes	0	0	-133	0	0	-36 326	-33	-36 492
30 June 2017	1 292 578	4 819 745	183 824	-31 339	55	76 032	1 019	6 341 914

*details at note 2.3

The notes presented on pages 9-52 constitute an integral part of these interim condensed consolidated financial statements

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017 Restated*
Operating activities		
Profit before tax for the year	495 455	224 936
Adjustments:	78 966	95 469
Unrealized foreign exchange gains/losses	2 657	-3 906
Amortization/depreciation of property, plant and equipment and intangible assets	85 662	86 930
Change in property, plant and equipment and intangible assets impairment write-down	2 232	12 578
Share-based payments	-11 585	-133
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	574 421	320 405
Change in loans and receivables	-2 172 691	-2 307 799
Change in financial assets measured at fair value through other comprehensive income	1 525 600	n/a
Change in financial assets measured at fair value through profit or loss	-211 876	n/a
Change in financial assets measured at amortised cost	-550 218	n/a
Change in financial assets available for sale	n/a	2 888 519
Change in financial assets held in maturity	n/a	1 954
Change in financial assets held for trading	n/a	-1 491
Change in assets pledged as collateral	73 250	-143 978
Change in derivative hedging assets	15 353	25 780
Change in non-current assets held for sale	86	211
Change in other assets	126 912	30 691
Change in deposits	1 611 653	855 050
Change in own issue	-37 666	-70 508
Change in financial liabilities	10 054	68 177
Change in hedging liabilities derivative	3 337	2 749
Change in other liabilities and other comprehensive income	-354 126	-288 002
Change in provisions	94 537	-100 733
Cash from operating activities before income tax	708 626	1 281 025
Income tax paid	-196 623	-2 609
Net cash flow from operating activities	512 003	1 278 416
Investing activities		
Outflows:	-57 536	-89 116
Purchase of property, plant and equipment	-17 210	-43 995
Purchase of intangible assets	-40 326	-45 121
Inflows:	438	3 084
Dividends received	94	2
Disposal of property, plant and equipment	344	3 082
Net cash flow from investing activities	-57 098	-86 032
Financing activities		
Outflows:	-51 662	-34 050
Interest expense – subordinated liabilities	-51 662	-34 050
Inflows:	12 551	0
Inflows from share issue	12 551	0
Net cash flow from financing activities	-39 111	-34 050
Total net cash flow	415 794	1 158 334
incl. exchange gains/(losses)	35 575	-57 358
Balance sheet change in cash and cash equivalents	415 794	1 158 334
Cash and cash equivalents, opening balance	1 614 366	1 709 243
Cash and cash equivalents, closing balance	2 030 160	2 867 577
Additional disclosures on operating cash flows		
Interests received	2 034 721	1 914 929
Interests paid	-470 180	-341 960

**details at note 2.3*

The notes presented on pages 9-52 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Notes to the interim condensed consolidated financial statements

1. Information on the Bank and the Group

1.1 Overview

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

1.2 Duration and scope of business activities

On 18 April 2008, the Polish Financial Supervision Authority (the "PFSA") granted permission for the incorporation of a the bank under the name Alior Bank SA. On 1 September 2008, the PFSA issued a license for the Bank to commence its business activities. On 5 September 2008, the PFSA granted the Bank permission to conduct brokerage activities. The duration of the Bank's and the Group companies' operations is indefinite. Alior Bank SA is a universal lending and deposit-taking bank which renders services to individuals, legal persons and other entities which are Polish and foreign persons. The Bank's core activities include maintaining bank accounts, granting loans and advances, issuing banking securities and the purchase and sale of foreign currency. The Group also conducts brokerage activities, advosory and financial agency services and renders other financial services. The information on entities comprising the Group is presented in Note 1.5. As stated in the Articles of Association, Alior Bank operates on the territory of the Republic of Poland and the European Economic Area. However, the Bank mainly provides services to customers from Poland. The share of foreign customers in the total number of the Bank's customers is negligible.

1.3 Shareholders of Alior Bank Spółka Akcyjna

According to currently available information, as at 30 June 2018, the following shareholders held 5% or more of the total number of votes at the General Shareholders' Meeting:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
30.06.2018					
PZU SA	41 658 850	416 588 500	31.93%	41 658 850	31.93%
Aviva OFE Aviva BZ WBK	9 467 000	94 670 000	7.26%	9 467 000	7.26%
Nationale-Nederlanden PTE SA	7 630 000	76 300 000	5.85%	7 630 000	5.85%
BlackRock, Inc.	7 392 649	73 926 490	5.67%	7 392 649	5.67%
Others	64 310 217	643 102 170	49.29%	64 310 217	49.29%
Total	130 458 716*	1 304 587 160	100.00%	129 278 841	100.00%

* *The number of shares according to registered in KRS on 30 June 2018.*

(in PLN '000)

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

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

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

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

Composition of the Bank's Management Board as at 30 June 2018

Name	Position
Katarzyna Sułkowska	President of the Management Board*
Filip Gorczyca	Vice-President of the Management Board
Marcin Jaszczuk	Vice-President of the Management Board
Mateusz Poznański	Vice-President of the Management Board
Agata Strzelecka	Vice-President of the Management Board
Maciej Surdyk	Vice-President of the Management Board

**On 15 May 2018, the Polish Financial Supervision Authority unanimously agreed to appoint Ms. Katarzyna Sułkowska as the President of the Management Board of Alior Bank Spółka Akcyjna*

.Members of the Bank's Management Board who held shares in the Bank as at 30 June 2018 and 9 August 2018

Number of shares	09..08.2018	30.06.2018	31.12.2017
Katarzyna Sułkowska	28 612	28 612	28 612
Total	28 612	28 612	28 612

There were changes in the composition of the Bank's Supervisory Board compared to the previous reporting period ended 31 December 2017.

On 21 June 2018, Mr. Sławomir Niemierka and Mr. Paweł Szymański filed their resignations from their function as Members of the Bank's Supervisory Board effective on 21 June 2018.

On 22 June and on 25 June 2018, the Ordinary General Meeting of the Bank adopted resolutions regarding the appointment of Mr. Marcin Eckert and Mr. Wojciech Myślecki to the Supervisory Board of the Bank.

Composition of the Bank's Supervisory Board as at 30 June 2018

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

Name	Position
Marcin Eckert	Member of the Supervisory Board
Wojciech Myślecki	Member of the Supervisory Board

In accordance with the Bank's best knowledge, Members of the Supervisory Board of Alior Bank did not hold any of the Bank's shares as at 30 June 2018 and 9 August 2018.

1.5 Information about the Alior Bank Group

Alior Bank SA is the parent company of Alior Bank Group. The composition of the Group as at 30 June 2018 was as follows:

Name of company	30.06.2018	31.12.2017
Alior Services sp. z o.o.	100%	100%
Centrum Obrotu Wierzytelnościami sp. z o.o. in liquidation	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	*100%*	*100%*
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Money Makers TFI SA/Alior TFI SA**	100%*	60.16%
Absource sp. z o.o.	100%	100%

**On 19 March 2018 a conditional agreement for the sale of Money Makers TFI SA'shares ("Conditional Agreement") was signed based on witch (in the case of meeting the condition precedent, i.e. in the case Alior Bank acquired the Money Makers TFI' s shares representing at least 70% of its share capital) Alior Bank would acquire all shares from the Money Makers TFI 's shareholders who are also members of its Management Board held by them on the day of concluding a Conditional Agreement, which may result in Alior Bank exceeding 90% of the Money Makers TFI 's total number of shares. On 19 and 20 March Alior Bank sold and acquired Money Makers TFI SA's shares. These transactions were concluded as the first stage of the acquisition of shares in accordance with the conditions described above. On 22 March 2018, the Bank made another acquisition of Money Makers TFI SA's shares as part of block transactions concluded in the NewConnect alternative trading system. These transactions were concluded as the last stage of the acquisition of shares in accordance with the conditions described in the conditional share purchase agreement. On 7 May 2018, KDPW made settlement of share's purchase as part of squeeze out of minority shareholders of Money Makers TFI SA announced on 30 April 2018. Thus, Alior Bank holds 100% shares in MoneyMakers TFI SA as at date of publication of this report. The Management Board of the Warsaw Stock Exchange decided to suspend trading in the shares of MoneyMakers TFI SA - marked with the code - PLMNMRS00015 - from 3 April 2018.*

*** On 14 June the Management Board of Money Makers TFI SA informed about registration in the National Court Register of amendments to the Company Statute made pursuant to the resolution of the Ordinary General Meeting of the Company of 25 April 2018. Changes included the Company's name from Money Makers Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna to Alior Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna.*

1.6 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 8 August 2018.

1.7 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of a seasonal or cyclical nature within the meaning of §21 IAS 34.

2. Accounting principles

2.1 Basis for preparation

Statement of compliance

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

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

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2018 to 30 June 2018, and interim condensed consolidated statement of financial position as at 30 June 2018 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2018. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.2.

Scope and reporting currency

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

Going concern

The interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group have been prepared on the assumption that the Group will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2018.

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

2.2 Accounting principles – changes in standards

Significant accounting policies

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

Changes in accounting standards

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

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

IFRS 9 Financial Instruments

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

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

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

Classification and measurement of financial instruments

Financial assets

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

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

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

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

Business model

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

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

Contractual cash flows

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

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

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

Classification principles

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

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

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

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

Classification

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

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

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

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

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

The measurement category at fair value through profit and loss includes derivative instruments that are not hedging instruments in accordance with hedge accounting principles, trading securities portfolio (Treasury bonds and corporate bonds) and shares that do not meet the definition of a an equity instrument. Until 31 December 2017, in line with IAS 39, these items were classified as financial assets held for trading, and shares that do not meet the definition of an equity instrument were classified as available-for-sale financial assets.

As at 1 January 2018, i.e. the date of the first application of IFRS 9, Alior Bank maintains a portfolio of financial assets resulting from credit cards and used overdraft facilities whose interest rate is based on the formula of a specific multiplier of the NBP reference rate. For the purpose of preparing the opening balance as at 1 January 2018, these financial assets were classified to the category of measurement at amortized. Alior Bank is in the process of determining the type, scope and timing of actions in the field of, changes of doubts from the point of view of the classification according to IFRS 9 of contractual provisions in order to meet the requirements of the contractual cash flow test enabling the classification of these loans to the category of financial assets measured at amortized cost. This portfolio amounted to about PLN 800 M equil 1.54% of total receivables from customers.

Financial liabilities

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

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

Impairment

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

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

Loss Identification Period

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

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

Identification of the credit risk deterioration

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

• qualitative criterias and
• quantitative criterias.

The Bank includes as qualitative criteria:

• occurrence of overdue exceeding 30 days,
• classification of the client on the higher risk list ("watch list"),
• forbearance (ie customer staying in the post-restructuring period probation).

The Bank includes as quantitative criteria:

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

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

Estimation of expected losses

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

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

(in PLN '000)

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

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

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

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

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

The impact of the new impairment model is presented below:

Loss allowance and write-downs at 31 December 2017 under IAS 39	3 403 675
Additional impairment recognised at 1 January 2018 on:	589 433
Impairment losses on impaired loans and advances to customers	886 017
Change in presentation in impairment's interest	193 757
Impact of the classification part of loans and advances to customers as POCI	-609 121
Debt securities – available-for-sale financial assets	1 946
Investment securities held to maturity	1 018
Off balance provision	115 816
Loss allowance at 1 January 2018 under IFRS 9	3 993 108
Incl impairment losses on impaired loans and advances to customers	3 874 328

Exposures acquired in impairment (POCI)

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

For POCI exposures, a write-off is the cumulative change in expected credit losses between their current estimate and the level set at the date of acquisition of the exposure. In the case of a drop in the estimated credit losses, the write-down takes the form of a correction increasing the gross value of the exposure (the so-called over-write).

Hedge accounting

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

Comparative data

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

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

(in PLN '000)

ASSETS	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount in as at 31.12.2017 Restated	Iimpact of implementing IFRS 9 on 01.01.2018 impact of changing classification and valuation (1)	impact of impairment (2)	Total impact (1)+(2)	New carrying amount as at 01.01.2018
Cash and balances with the Central Bank	Loans and advances to customers	Financial assets measured at amortized cost	965 391	0	0	0	965 391
Financial assets held for trading	Financial assets held for trading	Financial assets measured at fair value through profit or loss	452 551	0	0	0	452 551
Available-for-sale financial assets	Available-for-sale financial assets	Financial assets measured at fair value through other comprehensive income	9 649 751	105		105	9 649 856
		Financial assets measured at amortized cost	2 384 004	4 538	-1 946	2 592	2 386 596
		Financial assets measured at fair value through profit or loss	38 569	0	0	0	38 569
Investment securities held to maturity	Financial assets held to maturity	Financial assets measured at amortized cost	1 117 894	0	-1 018	-1 018	1 116 876
Derivative hedging instruments	Financial assets held for trading	Financial liabilities measured at fair value through other comprehensive income	87 785	0	0	0	87 785
Amounts due from banks	Loans and advances to customers	Financial assets measured at amortized cost	901 629	0	-4	-4	901 625
Loans and advances to customers	Loans and advances to customers	Financial assets measured at amortized cost	51 266 640	0	-902 661	-902 661	50 363 979
Assets pledged as collateral	Available-for-sale financial assets/ Financial assets held to maturity	Financial assets measured at amortized cost / Financial assets measured at fair value through other comprehensive income	408 911	0	0	0	408 911
Income tax asset			591 782	0	0	263 734	855 516
Other assets			626 440	0	564	564	627 004
TOTAL ASSETS			68 491 347	4 643	-905 065	-636 688	67 854 659

LIABILITIES	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount as at 31.12.2017 Restated	Impact of implementing IFRS 9 on 01.01.2018 impact of changing classification and valuation (1)	impact of impairment (2)	Total impact (1)+(2)	New carrying amount as at 01.01.2018
Financial liabilities held for trading	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	435 878	0	0	0	435 878
Amounts due to banks	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	891 645	0	0	0	891 645

(in PLN '000)

Amounts due to customers	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost	57 657 019	0	0	0	57 657 019
Derivative hedging instruments	Financial liabilities measured at fair value through other comprehensive income	Financial liabilities measured at fair value through other comprehensive income	5 419	0	0	0	5 419
Provisions			90 457	0	115 816	115 816	206 273
Income tax liabilities			1 693 915	0	0	0	1 693 915
Other liabilities			135 690	0	0	68 576	204 266
Total liabilities			60 910 022	0	115 816	184 392	61 094 414
Share capital			1 292 636	0	0	0	1 292 636
Supplementary capital			4 820 048	0	0	0	4 820 048
Revaluation reserve			13 944	0	0	10 629	24 573
Other reserves			183 824	0	0	0	183 824
Foreign currency translation differences			594	0	0	0	594
Accumulated losses			378 615	0	0	-832 155	-453 540
Non-controlling interests			1 322	0	0	0	1 322
Totak equity			6 690 983	0	0	-821 526	5 869 457
TOTAL LIABILITIES AND EQUITY			67 601 005	0	115 816	-637 134	66 963 871

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

(in PLN '000)

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

IFRS 16 Leases

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

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

2.3 Restatement of comparative data and explanation of differences in relation to previously published financial statements

- Correction of the error regarding Corporate Tax for years 2012-2017

In 2018, the Bank corrected its Corporate Income Tax returns for years 2012-2017 due to mistakenly excluding of the accrued not-received interest as of the day of writing-off from its tax reconciliation for these years, which resulted in the understatement of the tax base. Simultaneously, the part of interest on off-balance sheet receivables was incorrectly recognized as positive temporary difference and included in the deferred tax liability. In consequence, an adjustment to the Bank's financial statements was recognized as the difference to retained earnings as of 31 December 2017 and by restating the comparative data. The below table presents the breakdown of the correction impact together with penalty interest in the respective years:

Corrected period	Correction of income tax	Amount of interest on tax arrears
2012	2 190	0
2013	3 644	128
2014	1 270	350
2015	5 517	407
2016	60	758
2017	1 645	1 186
Total	14 327	2 828

The impact of the correction described above on the comparative data is:

Equity as at 31.12.2017 PLN -17 155 thousand

Net profit for HY of 2017 PLN +8 793 thousand

(in PLN '000)

- Change in accounting approach in relation to the valuation of options embedded in structured products

The Bank changed the method of fair value measurement of options embedded in the structured products issued by the bank (Bank Securities – BS). Previously, embedded options were measured based on parameters not derived from an active market. Currently, the Bank uses parameters from the interbank market, on which the bank concludes reverse transactions, securing options built into BS. The Bank also changed the method of recognizing costs and revenues related to the distribution of BS. Under the previous methodolody, the incremental costs were similar in amount to the distribution fee and therefore the costs and the fee were recognized at the time the transaction was concluded. The Bank reviewed the incremental costs, as a result of which their level was reduced, therefore the Bank is currently gecognising both revenues from the distribution fee and incremental costs over time up to the maturity date of the BS.
The impact of the correction described above on the comparative data is:
Equity as at 31.12.2017 PLN -34 446 thousand
Net profit for HY of 2017 PLN -13 462 thousand

- Correction of the recognition BFG's cost in the form of liability to pay as a blockage of securities in previous year

In connection with the amendment of the Bank Guarantee Fund Act from 2017 and the regulation of the Minister of Development and Finance of 10 March 2017 on the transfer in the form of liability to pay contributions to the Bank Guarantee Fund, Alior Bank using §4 of this Regulation, settles (30% of due fee) with BFG in the form of a liability to pay, as a blockage of securities.
After receiving, on 2 March 2017 and 20 April 2017, letters from the BFG specifying the amount of contributions to the Deposit Guarantee Fund and the Forced Restructuring Fund, the Bank used incorrectly accounted for that part using current principles of blocking securities related to the Fund for the Protection of Guaranteed Funds and therefore did not recognize it as a liability in the profit and loss statement. Pursuant to IAS 37 and IFRIC 21, the obligation to pay in the form of blocking securities, like the remaining part of the BFG contribution, should be recognized as a cost of the current period. Therefore, the Bank made a retrospective adjustment by recognizing the obligation to pay in the form of blocking securities for 2017 as the cost of 2017 and by redtating the comparative data.

	Total Contribution	Fee paid	Liability to pay
1Q 2017	41 500	28 805	12 345
2 Q 2017	11 373	7 961	3 412
3 Q 2017	11 218	11 218	0
4 Q 2017	11 691	8 184	3 508
Total	75 433	56 168	19 265

The impact of the correction described above on the comparative data is:
Equity as at 31.12.2017 PLN -19 265 thousand
Net profit for HY of 2017 PLN -15 757 thousand

The impact of the above adjustments on the comparative data presented in these financial statements is presented in the tables below.

(in PLN '000)

Statement of financial position	01.01.2017	Adjustmentss	01.01.2017 Restated
Income tax asset	540 262	8 180	548 442
Total assets	61 160 491	8 180	61 168 671
Amounts due to customers	51 368 701	15 427	51 384 128
Income tax liabilities	13 945	19 572	33 517
Total liabilities	55 000 629	34 999	55 035 628
Accumulated losses	-7 085	-26 819	-33 904
Total equity	6 159 862	-26 819	6 133 043

Statement of financial position	31.12.2017	Adjustmentss	31.12.2017 Restated
Income tax asset	569 580	22 202	591 782
Total assets	69 493 780	22 202	69 515 982
Amounts due to customers	57 614 493	42 526	57 657 019
Other liabilities	1 674 650	19 265	1 693 915
Income tax liabilities	104 413	31 277	135 690
Total liabilities	62 731 931	93 068	62 824 999
Accumulated losses	-65 760	-26 819	-92 579
Profit for the period	515 241	-44 047	471 194
Total equity	6 761 849	-70 866	6 690 983

Income statement	01.01.2017 - 30.06.2017	Adjustmentss	01.01.2017 -30.06.2017 Restated
Net interest income	1 380 349	5 319	1 385 668
Net fee and commission income	234 965	-11 738	223 227
The result on financial assets measured at fair value through profit or loss and trading result	171 583	-15 937	155 646
General administrative expenses	-992 040	-10 019	-1 002 059
Net other operating income and expenses	28 252	-539	27 713
Gross profit	257 850	-32 914	224 936
Income tax	-75 466	12 489	-62 977
Net profit	182 384	-20 425	161 959

Statement of cash flows	01.01.2017- 30.06.2017	Adjustmentss	01.01.2017 – 30.06.2017 Restated
Profit before tax	257 850	-32 914	224 936
Change in other liabilities and other comprehensive income	-320 916	32 914	-288 002

Statement of changes in equity	30.06.2017	Adjustmentss	30.06.2017 Restated
Equity at the beginning of the period	6 202 913	-26 819	6 176 094
Accumulated losses	-59 035	-26 819	-85 854
Profit for the period	182 311	-20 425	161 886
Equity at the end of the period	6 389 158	-47 244	6 341 914

(in PLN '000)

Statement of changes in equity	31.12.2017	Adjustmentss	31.12.2017 Restated
Equity at the beginning of the period	6 159 862	-26 819	6 133 043
Accumulated losses	-65 760	-26 819	-92 579
Profit for the period	515 241	-44 047	471 194
Equity at the end of the period	6 761 849	-70 866	6 690 983

Earnings per share	30.06.2017	Adjustmentss	30.06.2017 Restated
Net profit	182 384	-20 425	161 959
Net profit per ordinary share	1,41	-0,16	1,25
Diluted profit per ordinary share	1,38	-0,15	1,23

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.

(in PLN '000)

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

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

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

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

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	924 449	454 209	121 143	1 499 801	0	1 499 801
external income	1 123 417	598 659	129 281	1 851 357	0	1 851 357
income of a similar nature	1 971	18 632	66 650	87 253	0	87 253
external expense	-200 939	-163 082	-74 788	-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	984 710	419 628	95 463	1 499 801	0	1 499 801
Fee and commission income	166 582	228 836	714	396 132	0	396 132
Fee and commission expense	-85 950	-91 921	-4 052	-181 923	0	-181 923
Net fee and commission income	80 632	136 915	-3 338	214 209	0	214 209
Dividend income	0	0	94	94	0	94
The result on financial assets measured at fair value through profit or loss and trading result	61 942	110 838	12 377	185 157	0	185 157
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	27 323	1 417	32 628	61 368	0	61 368
measured at fair value through other comprehensive income	0	0	32 112	32 112	0	32 112
measured at amortized cost	27 323	1 417	516	29 256	0	29 256
Other operating income	76 512	2 894	0	79 406	0	79 406
Other operating expenses	-33 978	-12 203	0	-46 181		-46 181
Net other operating income	42 534	-9 309	0	-46 181	0	33 225
Total result before expected credit losses	1 197 141	659 489	137 224	1 914 448	0	1 993 854
Net expected credit losses	-255 771	-251 239	0	-507 011	-2 234	-509 245
Total result after expected credit losses	941 370	408 249	137 224	1 486 843	-2 234	1 484 609
General administrative expenses	-724 004	-262 592	-2 558	-989 154	0	-989 154
Gross profit	217 366	145 657	134 666	497 689	-2 234	495 455
Income tax	0	0	0	0	-135 482	-135 482
Net profit	217 366	145 657	134 666	497 689	-137 716	359 973
Depreciation						-86 045
Assets	41 049 527	28 584 641	44 057	69 678 225	860 018	70 538 243
Liabilities	42 509 635	21 530 202	11 416	64 051 253	150 527	64 201 780

Results and volumes by segments for the six months ended 30 June 2017

Restated	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	967 025	363 840	54 803	1 385 668	0	1 385 668
external income	1 121 276	528 984	109 770	1 760 030	0	1 760 030
external expense	-154 251	-165 144	-54 967	-374 362	0	-374 362
Internal interest income	-80 859	-21 098	101 957	0	0	0
internal income	334 858	202 025	1 371 553	1 908 436	0	1 908 436
internal expense	-415 717	-223 123	-1 269 596	-1 908 436	0	-1 908 436
Net interest income	886 166	342 742	156 760	1 385 668	0	1 385 668

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
Fee and commission income	186 150	204 558	1 655	392 363	0	392 363
Fee and commission expense	-88 273	-70 003	-10 860	-169 136	0	-169 136
Net fee and commission income	97 877	134 555	-9 205	223 227	0	223 227
Dividend income	2	0	0	2	0	2
Trading and revaluation result	2 511	21 589	131 545	155 646	0	155 646
Net gain (realized) on other financial instruments	58 043	80 743	-137 620	1 166	0	1 166
Other operating income	57 913	2 425	36	60 374	0	60 374
Other operating expenses	-30 899	-1 758	-4	-32 661	0	-32 661
Net other operating income	27 014	667	32	27 713	0	27 713
Total result before impairment losses	1 071 613	580 296	141 512	1 793 422	0	1 793 422
Net impairment allowances and write-downs	-273 707	-183 005	0	-456 712	-10 987	-467 699
Total result after impairment losses	797 904	397 291	141 514	1 336 710	-10 987	1 325 723
General administrative expenses	-797 363	-300 598	-2 826	-1 100 787	0	-1 100 787
Gross profit	541	96 693	138 688	235 923	-10 987	224 936
Income tax	0	0	0	0	-62 977	-62 977
Net profit	541	96 693	138 688	235 923	-73 964	161 959
Depreciation						-88 535
Assets	35 941 270	25 313 806	31 629	61 286 705	572 100	61 858 805
Liabilities	34 604 028	20 851 347	9 702	55 465 077	51 815	55 516 892

Notes to the interim condensed consolidated income statement

4. Net interest income

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
Interest income	**938 879**	**1 851 357**	**892 704**	**1 760 030**
term deposits	140	291	272	549
loans	850 119	1 660 457	800 333	1 543 213
available for sale financial assets	n/a	n/a	33 083	71 794
financial assets measured at amortized cost	23 611	46 585	n/a	n/a
financial assets measured at fair value through other comprehensive income	41 377	86 134	n/a	n/a
receivables acquired	-1 527	13 133	8 718	13 614
repo transactions in securities	1 623	2 748	2 049	4 884
other	23 536	42 009	8 184	15 186
Other interest ncome	**n/a**	**n/a**	**40 065**	**110 790**
current accounts	n/a	n/a	6 140	12 103
overnight deposits	n/a	n/a	566	849
derivatives instruments	n/a	n/a	33 359	97 838
Income of a similar nature*	**52 175**	**87 253**	**n/a**	**n/a**
current accounts	2 564	5 281	n/a	n/a
overnight deposits	624	1 114	n/a	n/a
derivatives instruments	48 987	80 858	n/a	n/a
Interest expense	**-228 486**	**-438 809**	**-170 049**	**-374 362**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	**-139 994**	**-279 195**	**-114 705**	**-235 927**

(in PLN '000)

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
term deposits	-95 383	-190 179	-78 620	-163 505
own issue	-36 247	-73 382	-29 123	-58 632
repo transactions in securities	-4 243	-8 529	-3 770	-7 866
cash deposits	-735	-1 560	-837	-1 854
other	-3 386	-5 545	-2 355	-4 070
Other interest expense	**-88 492**	**-159 614**	**-55 344**	**-138 435**
current deposits	-46 479	-91 589	-26 108	-50 587
derivatives	-42 013	-68 025	-29 236	-87 848
Net interest income	**762 568**	**1 499 801**	**722 655**	**1 385 668**

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

5. Net fee and commission income

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
Fee and commission income	**199 858**	**396 132**	**203 275**	**392 363**
payment and credit cards service	62 435	119 121	53 075	98 579
maintaining bank accounts	27 014	56 272	33 946	72 053
brokerage commissions	19 268	39 333	24 541	47 337
revenue from bancassurance activity	15 326	36 188	24 767	42 255
loans and advances	30 393	55 549	22 067	42 850
transfers	15 141	30 587	16 187	31 903
cash operations	10 757	21 070	11 965	21 304
guarantees, letters of credit, collection, commitments	3 542	7 175	3 076	6 041
receivables acquired	2 898	5 804	3 247	7 158
custody services	3 141	5 733	2 957	4 951
other commissions	9 943	19 300	7 447	17 932
Fee and commission expenses	**-94 428**	**-181 923**	**-91 077**	**-169 136**
costs of card and ATM transactions, including costs of cards issued	-44 371	-88 227	-31 679	-63 568
commissions paid to agents	-14 370	-20 906	-10 898	-18 070
insurance of bank products	-4 284	-8 531	-4 658	-9 733
costs of awards for customers	-3 928	-7 230	-4 880	-11 617
commissions for access to ATMs	-5 724	-12 395	-6 118	-11 253
commissions paid under contracts for performing specific operations	-5 913	-13 632	-10 840	-15 222
brokerage commissions	-1 103	-1 982	-1 503	-2 486
custody services	-673	-1 058	-876	-1 354
other commissions	-14 062	-27 962	-19 625	-35 833
Net fee and commission income	**105 430**	**214 209**	**112 198**	**223 227**

(in PLN '000)

01.01.2018 –30.06.2018	Retail customers	Business customers	Treasury	Total
Fee and commission income	166 582	228 836	714	396 132
payment and credit cards service	51 103	68 018	0	119 121
maintaining bank accounts	22 491	33 781	0	56 272
brokerage commissions	39 333	0	0	39 333
revenue from bancassurance activity	24 228	11 960	0	36 188
loans and advances	7 278	48 271	0	55 549
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
other commissions	2 648	15 938	714	19 300

01.01.2017 –30.06.2017 Restated	Retail customers	Business customers	Treasury	Total
Fee and commission income	186 150	204 558	1 655	392 363
payment and credit cards service	42 108	56 471	0	98 579
maintaining bank accounts	27 015	45 038	0	72 053
brokerage commissions	47 337	0	0	47 337
revenue from bancassurance activity	37 363	4 892	0	42 255
loans and advances	6 991	35 859	0	42 850
transfers	8 494	23 409	0	31 903
cash operations	10 156	11 148	0	21 304
guarantees, letters of credit, collection, commitments	0	6 041	0	6 041
receivables acquired	0	7 158	0	7 158
custody services	0	4 951	0	4 951
other commissions	6 686	9 591	1 655	17 932

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

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
Foreign exchange transactions	323 611	352 433	-52 094	-17 128
Revaluation result	-237 931	-185 483	124 969	173 823
Interest rate transacions	8 784	10 457	17 545	12 832
Ineffective part of hedge accounting	357	-1 788	-11	-1 823
The result on other instruments (includes the result on trading in debt securities classified as assets measured at fair value through profit and loss/held for trading with interest)	12 702	9 538	-324	-12 058
The result on financial assets measured at fair value through profit or loss and trading result	107 523	185 157	90 085	155 646

(in PLN '000)

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

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Financial assets measured at fair value through other comprehensive income	20 927	32 112	n/a
Financial assets measured at amortized cost	24 939	29 256	n/a
own issue	323	682	n/a
investment certificates	-1	0	n/a
result on the receivables sale	23 227	26 314	n/a
result on significant modification	1 390	2 260	n/a
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	45 866	61 368	n/a

	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017	01.01.2017 – 30.06.2017
Available-for-sale financial assets	n/a	300	372
Own issue	n/a	412	794
repurchase income	n/a	413	796
repurchase losses	n/a	-1	-2
Net gain (realized) on other financial instruments	n/a	712	1 166

8. Net other operating income

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
Other operating income from:	29 075	79 406	28 055	60 374
income from contracts with business partners	13 686	23 589	11 083	20 571
reimbursement of costs of claim enforcement	4 203	7 948	9 808	18 938
received compensations	2 306	4 245	712	1 108
management of third party assets	3 852	9 492	5 338	9 770
reimbursement of fees by customers	0	0	0	22
sale of receivables	-951	8 831	0	0
other	5 979	25 301	1 114	9 965
Other operating expenses due to:	-25 884	-46 181	-17 066	-32 661
fees and costs of claim enforcement	-16 718	-25 494	-6 928	-14 499
paid compensations, settlements, complaints	-2 953	-7 772	-2 952	-6 527
paid compensations, fines and penalties	-1 447	-1 867	-4 267	-5 721
management of third party assets	-381	-998	-460	-1 143
awards given to customers	-975	-1 471	-265	-519
other	-3 410	-8 579	-2 194	-4 252
Net other operating income and expense	3 191	33 225	10 989	27 713

9. General administrative expenses

	01.04.2018 – 30.06.2018	01.01.2018 – 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
Payroll costs	-233 995	-473 897	-291 659	-554 922
remuneration due to employment contracts	-187 628	-381 648	-220 924	-432 794
remuneration surcharges	-36 002	-77 646	-51 047	-97 778
revaluation of managment option plan – part settled in cash	-5 658	-7 973	-20 804	-20 804
other	-4 707	-6 630	-1 914	-3 546

(in PLN '000)

	01.04.2018 – 30.06.2018	01.01.2018– 30.06.2018	01.04.2017 – 30.06.2017 Restated	01.01.2017 – 30.06.2017 Restated
General and administrative costs	-151 659	-322 776	-166 474	-354 719
lease and building maintenance expenses	-37 229	-74 968	-23 703	-77 921
costs of Bank Guarantee Fund*	-17 041	-71 716	-18 462	-52 519
IT costs	-24 788	-47 692	-48 050	-92 334
marketing costs	-22 124	-41 246	-17 188	-26 603
cost of advisory services	-6 728	-15 315	-14 022	-27 359
external services	-10 437	-16 966	-10 783	-24 004
training costs	-6 716	-12 317	-7 993	-11 283
costs of telecommunications services	-5 921	-11 943	-9 862	-14 507
costs of lease of property, plant and equipment and intangible assets	-1 869	-3 809	-1 783	-3 305
other	-18 806	-26 804	-14 628	-24 884
Amortization and depreciation	-42 810	-86 045	-43 430	-88 535
property, plant and equipment	-23 886	-48 058	-25 518	-53 972
intangible assets	-18 924	-37 987	-17 912	-34 563
Taxes and fees	-1 696	-3 535	-1 593	-3 883
Total general administrative expenses	-430 160	-886 253	-503 156	-1 002 059

**The costs of the Banking Guarantee Fund in the first half of 2018 included:*

1. a contribution to the bank guarantee fund due for the first half of 2018 set by BFG in the amount of PLN 28 848 thousand and

2. contribution to the fund of bank's forced restructuring due in 2018 in the amount of PLN 37 808 thousand.

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

	01.04.2018 – 30.06.2018	01.01.2018– 30.06.2018	01.04.2017– 30.06.2017	01.01.2017– 30.06.2017
Stage 3/ Impaired loans	-281 541	-573 572	-241 103	-432 918
Impairment losses on impaired loans and advances to customers	-281 541	-573 572	-241 103	-432 918
retail customers	-146 727	-300 628	-149 220	-269 164
business customers	-134 814	-272 944	-91 883	-163 754
Financial assets	2 962	3 494	n/a	n/a
IBNR for customers without impairment losses	n/a	n/a	105	-17 162
retail customers	n/a	n/a	33 565	28 128
business customers	n/a	n/a	-33 460	-45 290
Expected credit loss (ECL)	30 935	58 961	n/a	n/a
Stage 2	26 348	46 244	n/a	n/a
retail customers	8 563	28 215	n/a	n/a
business customers	17 785	18 029	n/a	n/a
Stage 1	4 587	12 717	n/a	n/a
retail customers	-997	2 318	n/a	n/a
business customers	5 584	10 399	n/a	n/a
POCI	-3 915	-2 627	n/a	n/a
Off-balance provisions	-16 682	6 732	-7 719	-6 632
Property, plant and equipment and intangible assets	-477	-2 233	-7 366	-10 987
Net expected credit losses, impairment allowances and write-downs	-268 718	-509 245	-256 083	-467 699

(in PLN '000)

11. Corporate income tax

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017 Restated
Current tax	218 227	102 525
current year	218 227	102 525
Deferred tax	-82 745	-39 548
origination and reversal of temporary differences	-82 745	-39 548
Accounting tax recognized in the income statement	135 482	62 977

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017 Restated
Gross profit	495 455	224 936
Income tax at 19%	94 136	42 738
Non-tax deductible expenses	49 318	32 767
Representation costs	101	174
PFRON (State Fund for Rehabilitation of Persons with Disabilities)	157	859
Impairment losses on loans in the part not covered with deferred tax	12 583	2
Prudential fee to Bank Guarantee Fund	13 626	9 980
The tax financial institutions	19 551	18 758
Donations	11	0
Other	3 289	2 994
Non-taxable revenues	-1 157	-3 515
Release of loan impairment allowances in the part not covered with the deferred tax	-14	-280
Other	-1 143	-3 235
Recognition of tax loss	150	109
Other	-6 965	-9 122
Accounting tax recognized in the income statement	135 482	62 977
Effective tax rate	27,34%	28,00%

12. Earnings per share

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017 Restated
Net profit	359 973	161 959
Weighted average number of ordinary shares	129 519 848	129 257 763
Share options (number) - adjusting instrument	1 307 611	2 562 703
Adjusted weighted average number of shares	130 827 459	131 820 466
Net earnings per ordinary share (PLN)	2.78	1.25
Dilluted earnings per one share	2.75	1.23

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

- the participants of the program executed 1 239 875 warrants acquiring at the issue price, in accordance with the program assumptions 407 296 series D shares, 514 178 series E shares and 318 401 series F shares;

(in PLN '000)

The number of warrants as at 30 June 2018

Series of warrants	The number of warrants as at 31 December 2017	The number of warrants executed in the first half of 2018	The number of warrants as at 30 June 2018 incl:	The number of warrants that can be realised	Number of deferred warrants to be issued in 2018-2019
A	551 366	407 296	144 070	144 070	0
B	1 045 919	514 178	531 741	523 392	8 349
C	950 201	318 401	631 800	490 956	140 844
	2 547 486	1 239 875	1 307 611	1 158 418	149 193

Notes to the interim condensed consolidated statement of financial position

13. Cash and balances with the central bank

13.1 Accounting principles - IFRS 9

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

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

13.2 Financial data

	30.06.2018	31.12.2017
Current account with the central bank	1 054 041	253 092
Term deposit with the central bank	45 785	255 010
Cash	380 542	457 289
Cash and balances with the Central Bank	1 480 368	965 391

14. Amounts due from banks

14.1 Accounting principles- IFRS 9

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

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

(in PLN '000)

14.2 Financial data

Structure by type	30.06.2018	31.12.2017
Current accounts	428 428	627 645
Overnight deposits (O/N)	110 772	10 268
Term deposits	10 592	11 062
Reverse Repo	0	58 397
Deposits as derivative transactions (ISDA) collateral	126 173	163 770
Other	66 646	30 487
Amounts due from banks	742 611	901 629

15. Financial assets

15.1 Accounting principles- IFRS 9

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

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

15.2 Financial data

	30.06.2018	31.12.2017
Financial assets	12 880 942	13 642 769
measured at fair value through other comprehensive income	8 124 256	n/a
measured at fair value through profit or loss	702 996	n/a
measured at amortized cost	4 053 690	n/a
available-for-sale	n/a	12 072 324
held to maturity	n/a	1 117 894
held for trading	n/a	452 551

15.2.1 Financial assets under IFRS 9

Structure by type as at 30.06.2018	measured at fair value through other comprehensive income	measured at fair value through profit or loss	measured at amortized cost
Investments securities	8 124 256	44 611	4 053 690
Debt instruments	8 102 558	17 870	4 053 690
issued by the State Treasury	7 040 101	0	4 053 690
T-bonds	7 040 101	0	4 053 690
Structure by type as at 30.06.2018	measured at fair value through other	measured at fair value through profit or loss	measured at amortized cost

(in PLN '000)

	comprehensive income		
issued by monetary institutions	988 704	0	0
Eurobonds	88 816	0	0
Money bills	899 888	0	0
issued by other financial institutions	0	0	0
Bonds	0	0	0
Eurobonds	0	0	0
issued by companies	73 753	17 870	0
Bonds	73 753	17 870	0
Equity instruments	21 698	26 741	0
Derivative financial instruments	0	658 385	0
Interest rate transactions	0	358 674	0
SWAP	0	357 036	0
Cap Floor Options	0	1 638	0
Foreign exchange transactions	0	217 565	0
FX Swap	0	109 138	0
FX forward	0	62 872	0
CIRS	0	16 268	0
FX options	0	29 287	0
Other options	0	57 664	0
Other instruments	0	24 482	0
Total	8 124 256	702 996	4 053 690

15.2.2 Financial assets under IAS 39

Structure by type as at 31.12.2017	held for trading	available-for-sale	held to maturity
Investments securities	86 118	12 072 324	1 117 894
Debt instruments	85 735	12 030 778	1 117 894
issued by the State Treasury	85 459	9 651 360	1 117 894
T-bonds	85 459	9 651 360	1 117 894
issued by monetary institutions	0	2 087 331	0
Eurobonds	0	87 665	0
Money bills	0	1 999 666	0
issued by other financial institutions	122	91 387	0
Bonds	122	0	0
Eurobonds	0	91 387	0
issued by companies	154	200 700	0
Bonds	154	200 700	0
Equity instruments	383	41 546	0
Derivative financial instruments	366 433	0	0
Interest rate transactions	189 794	0	0
SWAP	187 694	0	0
Cap Floor Options	2 100	0	0
Foreign exchange transactions	95 660	0	0
FX Swap	18 059	0	0
FX forward	44 851	0	0

(in PLN '000)

Structure by type as at 31.12.2017	held for trading	available-for-sale	held to maturity
CIRS	15 984	0	0
FX options	16 766	0	0
Other options	52 450	0	0
Other instruments	28 529	0	0
Total	452 551	12 072 324	1 117 894

16. Loans and advances to customers

16.1 Accounting principles - IFRS 9

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

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

16.2 Financial data

Loans and advances to customers	30.06.2018			31.12.2107		
	Gross value	Impairment allowance	Net value	Gross value	Impairment allowance	Net value
Retail segment	30 983 123	-2 452 640	28 530 483	30 146 687	-1 911 961	28 234 726
Consumer loans	18 541 670	-2 303 787	16 237 883	18 337 260	-1 795 399	16 541 861
Loans for residential real estate	10 105 983	-107 373	9 998 610	9 631 679	-83 893	9 547 786
Consumer finance loans	2 335 470	-41 480	2 293 990	2 177 748	-32 669	2 145 079
Business segment	25 895 646	-1 751 795	24 143 851	24 523 628	-1 491 714	23 031 914
Working capital facility	13 079 423	-1 114 995	11 964 428	12 812 843	-908 147	11 904 696
Investment loans	8 843 165	-427 845	8 415 320	8 992 528	-371 922	8 620 606
Other	3 973 058	-208 955	3 764 103	2 718 257	-211 645	2 506 612
Total	56 878 769	-4 204 435	52 674 334	54 670 315	-3 403 675	51 266 640

Loans and advances to customers by method of	30.06.2018			31.12.2017		
allowance calculation	Gross value	Impairment allowance	Net value	Gross value	Impairment allowance	Net value
Stage 3	6 729 299	-3 047 040	3 682 259	n/a	n/a	n/a
individualised method, including:	3 232 034	-895 867	2 336 167	3 033 329	-778 471	2 254 858
with identified impairment	2 425 625	-880 813	1 544 812	2 348 052	-778 471	1 569 581
without identified impairment	806 409	-15 054	791 355	685 277	0	685 277
group method	3 497 265	-2 151 173	1 346 092	3 694 718	-2 297 232	1 397 486
with identified impairment	3 375 982	-2 139 190	1 236 792	3 566 585	-2 297 232	1 269 353
without identified impairment	121 283	-11 983	109 300	128 133	0	128 133
portfolio method (IBNR)	n/a	n/a	n/a	47 942 268	-327 972	47 614 296
Stage 2	5 846 043	-582 148	5 263 895	n/a	n/a	n/a
Stage 1	43 839 581	-541 083	43 298 498	n/a	n/a	n/a
POCI	463 846	-34 164	429 682	n/a	n/a	n/a
Total	56 878 769	-4 204 435	52 674 334	54 670 315	-3 403 675	51 266 640

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

(in PLN '000)

Loans and advances to customers – exposure of the Group to the credit risk	30.06.2018 Gross value	Impairment allowance	Net value	31.12.2017 Gross value	Impairment allowance	Net value
Stage 3 (with identified impairment, of which):	5 801 607	-3 020 003	2 781 604	5 914 637	-3 075 703	2 838 934
assessed with individualised method	2 425 625	-880 813	1 544 812	2 348 052	-778 471	1 569 581
without identified impairment, of which:	50 613 316	-1 150 268	49 463 048	48 755 678	-327 972	48 427 706
Stage 3 (with recognised individual indication)	927 692	-27 037	900 655	1 664 804	-8 390	1 656 414
not overdue	456 304	-11 075	445 229	1 010 890	-4 283	1 006 607
overdue	471 388	-15 962	455 426	653 914	-4 107	649 807
Stage 1 and Stage 2 /IBNR	49 685 624	-1 123 231	48 562 393	47 090 874	-319 582	46 771 292
not overdue	46 532 526	-784 523	45 748 003	44 204 061	-162 462	44 041 599
overdue	3 153 097	-338 708	2 814 389	2 886 813	-157 120	2 729 693
POCI	463 846	-34 164	429 682	n/a	n/a	n/a
Total	56 878 769	-4 204 435	52 674 334	54 670 315	-3 403 675	51 266 640

Impairment allowances to loans granted to customers – reconciled transfers in first half of 2018	As at 01.01.2018	Impact on P&L	Established in the period	Reversed in the period	Migrations beetwen stages	Assets written-off	Other	Value at the end of period
Stage 1	549 978	-12 717	346 719	-427 070	67 634	0	3 822	541 083
Stage 2	605 901	-46 244	681 880	-549 296	-178 828	-82	22 573	582 148
Stage 3	2 701 412	573 572	752 524	-290 146	111 194	-281 604	53 660	3 047 040
POCI	17 037	2 627	113 811	-111 184	0	-1 058	15 558	34 164
Total	3 874 328*	517 238	1 894 934	-1 377 696	0	-282 744	95 613	4 204 435

*detailes on page 16

Impairment allowances to loans granted to customers – reconciled transfers in first half of 2017	Value at the beginning of period	Established in the period	Reversed in the period	Assets written-off	Other	Value at the end of period
Retail segment	1 792 905	921 036	-680 001	-89 246	72 047	2 016 741
Business segment	1 268 988	935 424	-726 379	-6 978	-25 683	1 445 372
Total	3 061 893	1 856 460	-1 406 380	-96 224	46 364	3 462 113

17. Other assets

	30.06.2018	31.12.2017
Sundry debtors	382 725	588 506
Other settlements	226 312	205 999
Receivables from the sale of receivables	637	64 979
Receivables related to the sale of services (including insurance)	50 674	61 784
Guarantee deposits	19 073	18 928
Settlments of payment cards	86 029	142 468
Receivables due to settlement of acquisition of the demerged part of BPH	0	94 348
Costs recognised over time	45 530	31 218
Settlements of rental charges and utilities	2 762	1 338
Maintenance and support of systems, servicing of plant and equipment	19 409	14 105

(in PLN '000)

	30.06.2018	31.12.2017
Other deferred costs	23 359	15 775
Other assets	76	5 238
VAT settlements	133 243	75 013
Other assets(gross)	561 574	699 974
Write-down	-62 047	-73 535
Other assets (net)	499 527	626 440
including financial assets (gross)	382 725	588 506

18. Assets pledged as collateral

18.1 Accounting principles - IFRS 9 impact

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

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

18.2 Financial data

	30.06.2018	31.12.2017
Treasury bonds blocked for REPO transactions	0	77 431
Deposit as collateral of transactions performed in Alior Trader	155	723
Available-for-sale financial assets for sale securing a loan in the EIB	n/a	109 466
Investment securities held to maturity securing a loan in the EIB	n/a	221 291
Financial assets measured at amortised cost	335 506	n/a
Total	335 661	408 911

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

	30.06.2018	31.12.2017
Treasury bonds blocked for Bank Guaranteed Fund	331 321	605 719
Deposit as collateral of derivative transactions (ISDA)	126 173	163 770
Total	457 494	769 489

19. Amounts due to banks

Structure by type	30.06.2018	31.12.2017
Current deposits	1 243	673
Overnights	0	1 949
Term deposits	0	300 044

(in PLN '000)

Structure by type	30.06.2018	31.12.2017
Bonds issued	22 759	22 766
Received loan	256 292	266 817
Other liabilities	418 031	221 860
Repo	0	77 536
Total amounts due to banks	698 325	891 645

20. Amounts due to customers

Structure by type and customer segment	30.06.2018	31.12.2017 Restated
Retail segment	39 265 678	36 572 276
Current deposits	25 148 810	22 584 687
Term deposits	11 685 081	12 134 722
Banking securities issued	2 156 665	1 615 605
Bonds issued	81 476	81 500
Other liabilities	193 646	155 762
Business segment	20 379 496	21 084 743
Current deposits	8 862 256	9 495 558
Term deposits	10 172 248	9 740 352
Banking securities issued	876 672	1 455 323
Bonds issued	148 640	148 684
Other liabilities	319 680	244 826
Total amounts due to customers	59 645 174	57 657 019

In the first half of 2018 the Group issued banking securities amounting to PLN 618 514 thousand; securities purchased before maturity amounted to PLN 61 824 thousand.
In 2017 the Group issued banking securities amounting to PLN 2 035 195 thousand; securities purchased before maturity amounted to PLN 112 682 thousand.

21. Provisions

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance-sheet liabilities	Restructuring provision	Total provisions
As at 1 January 2018	16 024	13 338	23 677	37 418	90 457
IFRS 9 impact*	0	0	115 816	0	115 816
Established provisions	10 247	0	143 271	0	153 518
Reversal of provisions	-2 456	-6 102	-150 003	-2 000	-160 561
Utilisation of provisions	-6 092	-426	0	-9 044	-15 562
Other changes	26	999	301	0	1 326
As at 30 June 2018	17 749	7 809	133 062	26 374	184 994

**Details at note 2.2*

(in PLN '000)

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

In the financial statements as at 31.12.2016, the Bank informed about the establishment of a restructuring provision for payments of statutory severance bonuses in connection with employment terminations under group redundancies for the so-called additional compensation arising from the arrangement concluded with the trade unions and the provision for costs related to the restructuring of the branch network and abandoning franchise facilities in too close proximity (it includes the costs of compensation and expenses related to the physical abandonment of the facility and returning it to its original state).
Split of the restructuring provision as at 30.06.2018 is presented below

	31.12.2017	utilisation	reversal	30.06.2018
Severance pay for employees	815	-815	0	0
Reorganisation of the branch network	36 603	-8 229	-2 000	26 374
	37 418	-9 044	-2 000	26 374

22. Other liabilities

Other liabilities	30.06.2018	31.12.2017* Restated
Interbank settlements	371 885	723 937
Taxation, customs duty, social and health insurance payables and other public settlements	44 502	36 705
Settlements of payment cards	78 476	150 699
Other settlements, including	121 047	190 799
Settlements with insurers	16 378	16 668
Settlements of banking certificates of deposits	91 335	91 048
Accrued	137 308	146 188
Income received in advance	79 090	79 704
Provision for bancassurance resignations	33 505	38 679
Provision for bonuses	78 636	110 523
Provision for unused holiday	34 646	29 375
Provision for bonuses settled in phantom shares	15 326	16 885
Provision for retention programs	11 308	18 118
Revaluation of managment option plan – part settled in cash	13 129	9 881
Other staff provisions	1 084	1 663
Other liabilities	37 807	49 711
Other liabilities	1 149 084	1 693 915
including financial liabilities	571 408	1 065 435

23. Financial liabilities

23.1 Accounting principles IFRS 9

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

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

23.2 Financial data

Financial liabilities held for trading	30.06.2018	31.12.2017
Bonds	0	58 333
Interest rate transactions	304 813	164 276
SWAP	303 182	162 185
Cap Floor Options	1 631	2 091
Foreign exchange transactions	67 047	133 598
FX Swap	15 050	63 816
FX forward	13 436	37 675
CIRS	10 445	16 601
FX options	28 116	15 506
Other options	57 664	52 448
Other instruments	16 408	27 223
Total measured at fair value through profit or loss/ held for trading	445 932	435 878

24. Subordinated liabilities

	Nominal value in the currency ('000)	Currency	Term	Specific conditions	Status of liabilities 30.06.2018	31.12.2017
Subordinated loan	10,000	EUR	12.10.2011-12.10.2019	The loan may be prepaid subject to a written notification 30 days before the planned repayment.	43 803	41 892
Series F bonds	321,700	PLN	26.09.2014-26.09.2024		325 908	325 930
Series G bonds	192,950	PLN	31.03.2015-31.03.2021		195 518	195 560
Series I bonds	150,000	PLN	06.12.2015-06.12.2021		150 566	150 594
Series II bonds	33,350	PLN	06.12.2015-06.12.2021		33 476	33 482
Series B bonds (Meritum Bank)	67,200	PLN	29.04.2013-29.04.2021		67 824	67 796
Series C bonds (Meritum Bank)	80,000	PLN	21.10.2014-21.10.2022		80 522	80 494
Series EUR001 bonds	10,000	EUR	04.02.2016-04.02.2022		44 670	42 738
Series P1A bonds	150,000	PLN	27.04.2016-16.05.2022		150 957	150 006
Series P1B bonds	70,000	PLN	29.04.2016-16.05.2024		70 423	70 427
Series K bonds	400,000	PLN	20.10.2017-20.10.2025		403 520	403 600
Series K1 bonds	200,000	PLN	20.10.2017-20.10.2025		201 760	201 800
Series P2A bonds	150,000	PLN	14.12.2017-29.12.2025		150 041	150 657
Subordinated liabilities					1 918 988	1 914 976

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. There were no movements between valuation levels.

(in PLN '000)

30.06.2018	Level 1	Level 2	Level 3	Total
Financial assets				
Measured at fair value through profit and loss	15 436	585 955	101 605	702 996
SWAP	0	357 036	0	357 036
Cap Floor Ooptions	0	1 638	0	1 638
FX Swap	0	109 138	0	109 138
FX forward	0	62 872	0	62 872
CIRS	0	16 268	0	16 268
FX options	0	29 287	0	29 287
Other options	0	0	57 664	57 664
Other instruments	14 766	9 716	0	24 482
Financial derivatives	14 766	585 955	57 664	658 385
Money bills	0	0	0	0
Equity instruments	0	0	26 741	26 741
Treasury bonds	0	0	0	0
Other bonds	670	0	17 200	17 870
Investments securities	670	0	43 941	44 611
Measured at fair value through other comprehensive income	7 128 917	899 888	95 451	8 124 256
Money bills	0	899 888	0	899 888
Equity instruments	0	0	21 698	21 698
Treasury bonds	7 040 101	0	0	7 040 101
Other bonds	88 816	0	73 753	162 569
Derivative hedging instruments	0	72 432	0	72 432
Interest rate transactions – SWAP	0	72 432	0	72 432

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	95 992	304 839	51 720	452 551
Shares	294	0	0	294
Bonds	85 735	0	0	85 735
Certificates	89	0	0	89
SWAP	0	187 694	0	187 694
Cap Floor Ooptions	0	2 100	0	2 100
FX Swap	0	18 059	0	18 059
FX forward	0	44 851	0	44 851
CIRS	0	15 984	0	15 984
FX options	0	16 766	0	16 766
Other options	0	730	51 720	52 450
Other instruments	9 874	18 655	0	28 529
Available for sale financial assets	9 830 411	1 999 666	242 247	12 072 324
Money bills	0	1 999 666	0	1 999 666
Equity instruments	0	0	41 546	41 546
Treasury bonds	9 651 360	0	0	9 651 360
Other bonds	179 051	0	200 701	379 752

(in PLN '000)

31.12.2017	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	87 785	0	87 785
Interest rate transactions – SWAP	0	87 785	0	87 785

30.06.2018	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	8 403	379 865	57 664	445 932
Bonds	0	0	0	0
SWAP	0	303 182	0	303 182
Cap Floor Ooptions	0	1 631	0	1 631
FX Swap	0	15 050	0	15 050
FX forward	0	13 436	0	13 436
CIRS	0	10 445	0	10 445
FX options	0	28 116	0	28 116
Other options	0	0	57 664	57 664
Other instruments	8 403	8 005	0	16 408
Derivative hedging instruments	0	8 756	0	8 756
Interest rate swaps - IRS	0	8 756	0	8 756

31.12.2017	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities held for trading	79 004	305 155	51 719	435 878
Bonds	58 333	0	0	58 333
SWAP	0	162 185	0	162 185
Cap Floor Ooptions	0	2 091	0	2 091
FX Swap	0	63 816	0	63 816
FX forward	0	37 675	0	37 675
CIRS	0	16 601	0	16 601
FX options	0	15 506	0	15 506
Other options	0	729	51 719	52 448
Other instruments	20 671	6 552	0	27 223
Derivative hedging instruments	0	5 419	0	5 419
Interest rate swaps - IRS	0	5 419	0	5 419

Reconciliation of changes at level 3 of the fair value hierarchy

	Assets		Liabilities	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Opening balance	293 967	401 012	51 719	25 492
Increases, of which:	51 040	34 302	21 180	30 820
Valuation recognised in other comprehensive income	12 557	2 921	0	0
Interest recognised in other comprehensive income	0	0	0	0
Valuation recognised in income statement	9 933	18 517	10 629	18 546
Interest recognised in income statement	117	0	0	0
Purchases	28 433	12 864	10 551	12 274
Decreases, of which:	-147 951	-143 597	-15 235	-18 181
Valuation recognised in other comprehensive income	0	-4 250	0	0
Interest recognised in other comprehensive income	-1 043	0	0	0
Valuation recognised in income statement	-13 341	-3 157	-12 119	-2 991

(in PLN '000)

	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Sale/redemption	-133 567	-134 468	-3 116	-15 190
Total	197 056	291 717	57 664	38 131

At the end of the first half of 2018, the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 4.9 million and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 0.9 million.

Fair value measurement for the purposes of disclosures

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

30.06.2018	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and balance with Central Bank	1 480 368	1 480 368	0	0	1 480 368
Amount due from banks	742 611	0	742 611	0	742 611
Loans and advances to customers	52 674 334	0	0	51 295 472	51 295 472
Retail segment	28 530 483	0	0	27 413 837	27 413 837
Consumer loans	16 237 883	0	0	15 741 247	15 741 247
Loans for residential real estate	9 998 610	0	0	9 365 090	9 365 090
Consumer finance loans	2 293 990	0	0	2 307 500	2 307 500
Corporate segment	24 143 851	0	0	23 881 636	23 881 636
Working capital facility	11 964 428	0	0	11 868 525	11 868 525
Investment loans	8 415 320	0	0	8 249 009	8 249 009
Other	3 764 103	0	0	3 764 102	3 764 102
Asstes pledged as collateral	335 661	338 845	0	0	338 845
Investment securities measured at amortized cost	4 053 690	3 888 465	0	0	3 888 465
Other assets	382 725	0	0	382 725	382 725
Liabilities					
Amounts due to banks	698 325	0	698 325	0	698 325
Current deposits	1 243	0	1 243	0	1 243
Overnights	0	0	0	0	0
Term deposits	0		0	0	0
Bonds issued	22 759	0	22 759	0	22 759
Credit received	256 292	0	256 292	0	256 292
Other liabilities	418 031	0	418 031	0	418 031
Repo	0	0	0	0	0
Amounts due to customers	59 645 174	0	0	59 663 062	59 663 062
Current deposits	34 011 066	0	0	34 011 066	34 011 066
Term deposits	21 857 329	0	0	21 857 329	21 857 329
Banking securities issued	3 033 337	0	0	3 051 225	3 051 225
Bonds issued	230 116	0	0	230 116	230 116
Other liabilities	513 326	0	0	513 326	513 326
Other liabilities	571 408	0	0	571 408	571 408
Subordinated liabilities	1 918 988	0	0	1 918 988	1 918 988

(in PLN '000)

31.12.2017 Restated	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and balance with Central Bank	965 391	965 391	0	0	965 391
Amount due from banks	901 629	0	901 629	0	901 629
Loans and advances to customers	51 266 640	0	0	50 226 263	50 226 263
Retail segment	28 234 726	0	0	27 253 218	27 253 218
Consumer loans	16 541 861	0	0	16 145 458	16 145 458
Loans for residential real estate	9 547 786	0	0	8 942 186	8 942 186
Consumer finance loans	2 145 079	0	0	2 165 574	2 165 574
Corporate segment	23 031 914	0	0	22 973 045	22 973 045
Working capital facility	11 904 696	0	0	12 862 858	12 862 858
Investment loans	8 620 606	0	0	8 561 212	8 561 212
Other	2 506 612	0	0	1 548 975	1 548 975
Asstes pledged as collateral	408 911	408 911	0	0	408 911
Investment securities held to maturity	1 117 894	1 122 170	0	0	1 122 170
Other assets	588 506			588 506	588 506
Liabilities					
Amounts due to banks	891 645	0	891 645	0	891 645
Current deposits	673	0	673	0	673
Overnights	1 949	0	1 949	0	1 949
Term deposits	300 044		300 044	0	300 044
Bonds issued	22 766	0	22 766	0	22 766
Credit received	266 817	0	266 817	0	266 817
Other liabilities	221 860	0	221 860	0	221 860
Repo	77 536	0	77 536	0	77 536
Amounts due to customers	57 657 019	0	0	57 657 809	57 657 809
Current deposits	32 080 245	0	0	32 080 245	32 080 245
Term deposits	21 875 074	0	0	21 875 074	21 875 074
Banking securities issued	3 070 928	0	0	3 071 718	3 071 718
Bonds issued	230 184	0	0	230 184	230 184
Other liabilities	400 588	0	0	400 588	400 588
Other liabilities	1 065 435	0	0	1 065 435	1 065 435
Subordinated liabilities	1 914 976	0	0	1 914 976	1 914 976

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.

(in PLN '000)

26. Capital adequacy ratio and Tier 1 ratio

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

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

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

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

	01.01.2018 - 30.06.2018
Interest income	1 851 451
Income of a similar nature	87 253
Interest expense	-438 844
Net interest income	1 499 860
Dividend income	94
Fee and commission income	393 486
Fee and commission expense	-179 725
Net fee and commission income	213 761
The result on financial assets measured at fair value through profit or loss and trading result	185 162
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss including:	61 368
measured at fair value through other comprehensive income	32 112
measured at amortized cost	29 256
Other operating income	72 852
Other operating costs	-46 142
Net other operating income and expenses	26 710
General administrative expenses	-882 193
Net expected credit losses	-509 240
Banking tax	-102 901
Gross profit	492 621
Income tax	-134 912
Net profit	357 709

Equity for the purposes of the capital adequacy

	30.06.2018	31.12.2017
Total own funds for the capital adequacy ratio	7 837 581	7 651 277
Common equity Tier I capital	6 197 748	6 080 277
Tier II capital	1 639 833	1 563 000
Share paid	1 304 587	1 292 636
Supplementary capital components	5 380 995	4 817 483
Other capital	185 494	184 894
Profit verified by auditor	0	366 348
Accumulated losses	0	-63 514
Revaluation reserve – unrealized losses	-7 801	-14 357
Intangible assets at carrying amount	-518 992	-516 122

(in PLN '000)

	30.06.2018	31.12.2017
Revaluation reserve – unrealized gains	75 034	42 337
Subordinated liabilities	1 639 833	1 563 000
Additional value adjustments	-97 923	-21 428
Capital requirements	4 064 792	4 024 070
Total capital requirements for the following risks: credit, counterparty, adjustment to credit measurement, dilution and for delivery of instruments to be settled at a later date	3 619 220	3 535 517
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX.	2 940	4 826
Capital requirement relating to the general interest rate risk	40 803	46 612
Total capital requirements for the operational risk	401 829	437 115
Tier 1 ratio	12.20%	12.10%
Total capital adequacy ratio	15.43%	15.21%

Alior Bank SA, decided to apply the transitional provisions provided for in this Regulation No. 2017/2395, which means that the full impact of implementing the IFRS 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 2018 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 t ransition period
Total capital (TIER 1, TIER 2)	7 837 581	6 965 778
The total capital requirement	4 064 792	4 064 792
Total capital ratio	15.43%	13.71%
Financial leverage	8.17	7.02

27. Off-balance-sheet items

Off-balance sheet liabilities granted	30.06.2018	31.12.2017
Off-balance sheet liabilities granted	11 927 110	12 498 037
Relating to financing	10 562 506	11 253 862
Guarantees	1 364 604	1 244 175
Performance guarantees	254 062	277 904
Financial guarantees	1 110 542	966 271

28. Transactions with related parties

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

The related parties of the Group are PZU SA and its related entities and entities related to members of the Management and Supervisory Boards. Through PZU, Alior Bank is indirectly controlled by the State Treasury.

The following tables present the type and value of transactions with related parties. Transactions between the Bank and its subsidiaries which are related parties of the Bank have been eliminated in consolidation and are not disclosed in this note.

(in PLN '000)

Parent company	30.06.2018	31.12.2017
Liabilities		
Amounts due to customers	76	76
Provisions	6	6
Total liabilities	82	82

Subsidiaries of the parent company	30.06.2018	31.12.2017
Assets		
Financial assets	60 763	81 656
measured at fair value through other comprehensive income	60 101	n/a
measured at fair value through profit or loss	662	n/a
held for trading	n/a	1 382
available-for-sale	n/a	80 274
Derivative hedging instruments	963	483
Amounts due from banks	1 834	247
Loans and advances to customers	0	44
Other assets	0	38
Total assets	63 560	82 468
Liabilities and equity		
Financial liabilities held for trading	1 294	458
Financial liabilities measured at fair value through profit or loss	1 294	n/a
Derivative hedging instruments	205	0
Amounts due to customers	241 444	183 763
Provisions	3	4
Other liabilities	0	41
IFRS 9 impact	-1 348	0
Revaluation reserve	476	1 306
Total liabilities	242 074	185 572

Parent company	30.06.2018	31.12.2017
Off-balance sheet liabilities granted to customers	15 000	15 000
guarantees	15 000	15 000

Subsidiaries of the parent company	30.06.2018	31.12.2017
Off-balance sheet liabilities granted to customers	10 000	10 000
guarantees	10 000	10 000

Joint control by persons related to the Group	30.06.2018	31.12.2017
Assets		
Loans and advances to customers	0	7
Total assets	0	7
Liabilities		
Amounts due to customers	11 396	24 386
Total liabilities	11 396	24 386

Joint control by persons related to the Group	30.06.2018	31.12.2017
Off-balance sheet liabilities granted to customers	0	0
Relating to financing	0	0

(in PLN '000)

Parent company	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Fee and commission income	5	4
General administrative expenses	-594	0
Total	-589	4

Subsidiaries of the parent company	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Interest income	34	11
Interest expense	-3 446	-1 899
Fee and commission income	2 728	41
Fee and commission expense	-3	-4
The result on financial assets measured at fair value through profit or loss and trading result	-2 149	-9 005
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	1 454	n/a
General administrative expenses	0	0
Total	-1 381	-10 856

Subsidiaries of the parent company	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Interest expense	-141	-373
Fee and commission income	9	8
Total	-132	-365

Nature of transactions with related parties

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

The interest rates on deposits were within the range of 0% to 2.00%.

Transactions with the State Treasury and related entities

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

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

State Treasury and related entities	30.06.2018	31.12.2017
Financial assets	11 603 221	11 447 187
held for trading	n/a	85 459
available-for-sale	n/a	10 022 542
held to maturity	n/a	1 339 186
measured at fair value through other comprehensive income	17 200	n/a
measured at fair value through profit or loss	7 196 824	n/a
measured at amortized cost	4 389 197	n/a
Amounts due from banks	928	293
Loans and advances to customers	33 123	33 241
Total assets	11 637 272	11 480 721
Financial liabilities	0	58 333
held for trading	n/a	58 333
measured at fair value through profit or loss	0	n/a
Amounts due to banks	117 286	339 798
Amounts due to customers	2 615 296	1 248 970
Total liabilities	2 732 582	1 647 101

(in PLN '000)

Transactions with the State Treasury and related entities	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Interest income	127 478	65 206
Interest expense	-19 812	-6 022
Costs of tax paid	-321 128	-200 195
Total	-213 462	-141 011

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

30.06.2018	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	58	0	58
Total assets	58	0	58
Amounts due to customers	5 397	703	4 694
Total liabilities	5 397	703	4 694

30.06.2018	Supervising, managing persons	Supervisory Board	Bank's Management Board
Off-balance sheet liabilities granted to customers	10	0	10
Relating to financing	10	0	10

The total remuneration of the Bank's Supervisory Board members and Management Board members performing their duties from 1 January to 30 June 2018 recognized in the Group's profit and loss account for this period amounted to PLN 5 327 thousand (in the period from 1 January to 30 June 2017 it amounted to PLN 13 859 thousand).
For the members of the Bank's Management Board the cost of remuneration also includes variable remunerations paid in cash.

30. Incentive program for senior executives

Alior Bank SA operates the following incentive programs:

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

These programs are a continuation of the programs described in Alior Bank's consolidated financial statements dated on 31 December 2017.
As at 30 June 2017, payments from the management option scheme-the part settled in cash-amounted to PLN 4 724 thousand. Also the management option scheme was evaluated-the part settled in cash; the impact on the Bank's result of this update amounted to PLN 708 thousand (presented in note 9). Total liability as at 30 June 2018 amounted to PLN 2 406 thousand. Additionally the Bank presented a liability under share

subscription program as part of the management option schame at Alior Leasing sp. o.o..amounted to PLN 10 723 thousand (note 22).

31. Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during the first half of 2018,and none of the proceedings jointly, could pose a threat the Bank's financial liquidity. According to the opinion of the Management Board the significant proceedings are presented below:

- case claimed by a client - limited company for a payment of PLN 102 738 thousand. The claim dated 27 April 2017 was brouhgt 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. The claim dated 10 February 2015 was brouhgt orginally 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 legal persons to determine the Bank's liability for damage. The suit of 5 March 2018, filed against Alior Bank SA regarding brokerage by the Bank in previous years in offering investment certificates for Fundusz Inwestycje Rolne FIZAN, Lasy Polskie FIZAN, Vivante FIZAN and Inwestycje Selektywny FIZAN. In the Bank's opinion, as at the date of the financial statements, the risk of decisions unfavorable to the Bank and, consequently, material losses is lower than medium at this stage, therefore, as at 30 June 2018, the Bank did not create a provision for the above risk. At the same time, a reliable estimate of the amount of a potential loss in the case of unfavorable court decisions is not possible at this stage.

The value of disputed claims amounted to PLN 217 485 thousand as at the end of the first half of 2018 and PLN 220 598 thousand as at the end of 2017.
The value of provisions for disputed claims amounted to PLN 12 749 thousand as at the end of the first half of 2018 and PLN 16 024 thousand as at the end of 2017.

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

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

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

On 22 June 2017, the Annual General Shareholders' Meeting of Alior Bank Spółka Akcyjna passed a resolution on distribution of profit for 2017 in the total amount of PLN 538 894 624.58 zł in the following way:

- cover the undistributed result from previous years (loss), resulting from the final settlement of gain on bargain purchase of a demerged business of Bank BPH in the amount of PLN 43 051 209.19;
- allocate the remaining part of the profit in the amount of PLN 495 844 315.39 to supplementary capital.

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

34. Risk management

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

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

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

Liquidity risk

Specification of maturity/payment dates of contractual flows of the Bank's assets and liabilities as at 30 June 2018 (PLN M):

30.06.2018	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	2 265	2 306	2 208	2 827	5 245	9 270	21 387	41 655	87 163
Cash & Nostro	1 930	0	0	0	0	0	0	0	1 930
Amounts due from banks	0	165	0	0	0	126	0	0	291
Securities	0	952	8	115	298	1 399	5 841	5 233	13 846
Loans and advances to customers	335	1 189	2 200	2 712	4 947	7 745	15 546	33 291	67 965
Other assets	0	0	0	0	0	0	0	3 131	3 131
LIABILITIES AND EQUITY	-36 100	-8 025	-7 059	-4 760	-2 961	-2 064	-2 373	-7 918	-71 260
Amounts due to banks	-11	-118	-9	-9	-16	-367	-80	-121	-731
Amounts due to customers	-36 089	-5 969	-6 788	-4 447	-2 210	-759	-267	-50	-56 579
Own issues	0	-130	-262	-304	-735	-938	-2 026	-1 255	-5 650
Equity	0	0	0	0	0	0	0	-6 336	-6 336
Other liabilities	0	-1 808	0	0	0	0	0	-156	-1 964
Balance sheet gap	-33 835	-5 719	-4 851	-1 933	2 284	7 206	19 014	33 737	15 903
Cumulated balance sheet gap	-33 835	-39 554	-44 405	-46 338	-44 054	-36 848	-17 834	15 903	
Derivative instruments – inflows	0	8 360	1 629	986	350	476	335	43	12 179
Derivative instruments – outflows	0	-8 292	-1 596	-959	-350	-471	-341	-43	-12 052
Derivative instruments – net	0	68	33	27	0	5	-6	0	127
Guarantee and financing lines	-11 235	-1	-39	-70	-140	-87	-4	-350	-11 926
Off-balance sheet gap	-11 235	67	-6	-43	-140	-82	-10	-350	-11 799
Total gap	-45 070	-5 652	-4 857	-1 976	2 144	7 124	19 004	33 387	4 104
Total cumulated gap	-45 070	-50 722	-55 579	-57 555	-55 411	-48 287	-29 283	4 104	

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

31.12.2017 Restated	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	6 589	3 561	2 251	2 842	5 595	8 980	22 353	33 330	85 501
Cash & Nostro	1 366	0	0	0	0	0	0	0	1 366
Amounts due from banks	0	332	0	0	0	164	0	0	496
Securities	0	2 045	1	59	208	1 289	6 480	4 898	14 980
Loans and advances to customers	5 223	1 184	2 250	2 783	5 387	7 527	15 873	27 227	67 454
Other assets	0	0	0	0	0	0	0	1 205	1 205
LIABILITIES AND EQUITY	-34 083	-8 340	-6 731	-5 140	-3 876	-1 699	-2 174	-8 192	-70 235

(in PLN '000)

31.12.2017 Restated	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Amounts due to banks	-4	-136	-303	-9	-31	-268	-132	-66	-949
Amounts due to customers	-34 079	-5 594	-6 244	-4 760	-3 151	-303	-195	-65	-54 391
Own issues	0	-100	-184	-371	-694	-1 218	-1 847	-1 280	-5 694
Equity	0	0	0	0	0	0	0	-6 691	-6 691
Other liabilities	0	-2 420	0	0	0	0	0	-90	-2 510
Balance sheet gap	-27 494	-4 689	-4 480	-2 298	1 719	7 191	20 179	25 138	15 266
Cumulated balance sheet gap	-27 494	-32 183	-36 663	-38 961	-37 242	-30 051	-9 872	15 266	
Derivative instruments – inflows	0	5 029	1 593	1 600	701	364	307	43	9 637
Derivative instruments – outflows	0	-5 048	-1 618	-1 588	-707	-363	-324	-42	-9 690
Derivative instruments – net	0	-19	-25	12	-6	1	-17	1	-53
Guarantee and financing lines	-11 711	-8	-32	-108	-200	-113	-6	-321	-12 499
Off-balance sheet gap	-11 711	-27	-57	-96	-206	-112	-23	-320	-12 552
Total gap	-39 205	-4 716	-4 537	-2 394	1 513	7 079	20 156	24 818	2 714
Total cumulated gap	-39 205	-43 921	-48 458	-50 852	-49 339	-42 260	-22 104	2 714	

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

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

As part of the Management Option Scheme for 2013, 2014 and 2015, in July 2017 the Bank began the process of increasing the share capital of the Bank trough conditional share capital increase by issuing new ordinary bearer shares of D, E and F series amounting to PLN 11 798 750 which are 39.6% of all possible exercisable rights granted to the participants of the Subscription Warrants (nominal value of the program is PLN 29 792 660.00). The new issue is addressed to managers and will be equal to 0.91% of currently issued shares.

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

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

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

On 25 May 2018, the District Court for the Capital City of Warsaw, 13th Business Departmen of the National Court Register in Warsaw, registered the increase in the share capital by issuing ordinary shares D, E and F and amending the Bank's Articles of Association.

On 1 June 2018, as part of the implementation of the same program, the Bank began next process of increasing the share capital of the Bank trough conditional share capital increase by issuing new ordinary bearer shares of D series amounting to PLN 600 000 which are 2% of all possible exercisable rights granted to the participants of the Subscription Warrants (nominal value of the program is PLN 29 792 660.00). The new issue is addressed to managers and will be equal to 0.05% of currently issued shares.

On 28 June 2018, the following ordinary bearer shares of the Bank, with a nominal value of PLN 10 (ten zlotys) each and assigned ISIN code "PLNALIOR00045", were registered with the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych SA) :

- 60 000 (sixty thousand) series D shares;

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

Payment of deferred variable remuneration for 2014 and 2015

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

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

Change in shares in the total number of votes

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

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

On 26 April 2018, the Bank concluded with its subsidiary Alior Leasing Sp. z o.o. with its registered office in Wrocław, annexes to credit agreements in the current account concluded on 25 March 2016.
As a result of the annexes signed, the Bank's total exposure to Alior Leasing increased to PLN 1 624 830 thousand.

36. Significant events after the end of the reporting period

On 7 August 2018, the Management Board of the Bank has withdrawn from further negotiations with Pekao relating to the potential merger of both Banks. In the opinion of the Alior Bank's Management Board, the Banks did not reach the agreement on terms and conditions of their merger which would allow to generate potentially the largest additional value for Alior Bank's shareholders.

37. Financial forecast

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

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

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

Contents

Interim condensed separate financial statements (in PLN '000)

Interim condensed separate income statement

	01.04.2018 - 30.06.2018	01.01.2018 - 30.06.2018	01.04.2017 - 30.06.2017 Restated *	01.01.2017 -30.06.2017 Restated *
Interest income	944 584	1 855 473	889 884	1 755 243
Income of a similar nature	52 175	87 253	n/a	n/a
Interest expense	-227 811	-437 359	-169 573	-373 390
Net interest income	768 948	1 505 367	720 311	1 381 853
Dividend income	94	94	2	2
Fee and commission income	187 763	374 687	197 259	382 955
Fee and commission expense	-91 438	-175 905	-88 688	-165 307
Net fee and commission income	96 325	198 782	108 571	217 648
The result on financial assets measured at fair value through profit or loss and trading result	107 025	184 859	89 984	155 622
Net gain (realized) on other financial instruments	n/a	n/a	712	1 166
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	45 866	61 368	n/a	n/a
measured at fair value through other comprehensive income	20 927	32 112	n/a	n/a
measured at amortized cost	24 939	29 256	n/a	n/a
Other operating income	24 597	58 811	23 392	51 981
Other operating expenses	-25 823	-45 928	-16 911	-32 448
Net other operating income and expenses	-1 226	12 883	6 481	19 533
General administrative expenses	-408 164	-850 657	-489 926	-978 324
Net expected credit losses, impairment allowances and write-downs	-254 532	-504 898	-253 339	-464 530
Banking tax	-53 011	-102 901	-49 201	-98 728
Gross profit	**301 325**	504 897	133 595	234 242
Income tax	-80 486	-140 256	-29 214	-64 290
Net profit	220 839	364 641	104 381	169 952
Weighted average number of ordinary shares	129 760 548	129 519 848	129 257 763	129 257 763
Net profit per share	1.70	2.82	0.81	1.31
Diluted profit per ordinary share	1.68	2.79	0.79	1.29

. ** Details in note 3*

Interim condensed consolidated statement of comprehensive income

	01.04.2018 - 30.06.2018	01.01.2018 - 30.06.2018	01.04.2017 - 30.06.2017 Restated *	01.01.2017 – 30.06.2017 Restated *
Net profit	220 839	364 641	104 381	169 952
Items that may be reclassified to the income statement after certain conditions are satisfied	-26 006	39 051	1 480	40 353
Foreign currency translation differences	-209	-824	5	77
Results of the measurement of financial assets (net)	-29 871	20 860	461	34 583
Profit/loss on fair valuation of available for sale financial assets	n/d	n/a	685	42 370
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	-36 877	26 130	n/a	n/a
Deferred tax	7 006	-5 270	-224	-7 787
Results of the measurement of hedging instruments (net)	4 074	19 015	1 014	5 693
Gains/losses on hedging instruments	5 029	23 475	1 056	6 644
Deferred tax	-955	-4 460	-42	-951
Total comprehensive income, net	194 833	403 692	105 861	210 305

. ** Details in note 3*

The notes presented on pages 59-63 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate financial statements (in PLN '000)

Interim condensed separate statement of financial position

ASSETS	30.06.2018	31.12.2017 Restated *	01.01.2017 Restated *
Cash and balances with the Central Bank	1 480 368	965 391	1 082 991
Amounts due from banks	741 130	898 977	1 364 226
Financial assets:	12 880 942	13 642 769	9 796 151
measured at fair value through other comprehensive income	8 124 256	n/a	n/a
measured at fair value through profit or loss	702 996	n/a	n/a
measured at amortized cost	4 053 690	n/a	n/a
available-for-sale	n/a	12 072 324	9 374 646
held to maturity	n/a	1 117 894	1 954
held for trading	n/a	452 551	419 551
Derivative hedging instruments	72 432	87 785	71 684
Loans and advances to customers	52 686 141	51 244 093	46 248 623
Assets pledged as collateral	335 661	408 911	366 984
Property, plant and equipment	431 734	466 958	483 520
Intangible assets	510 415	510 106	480 913
Investments in subsidiaries	146 833	102 025	72 359
Non-current assets held for sale	271	357	679
Income tax asset	787 859	552 961	540 750
Deferred	787 859	552 961	540 750
Other assets	355 976	524 047	662 095
TOTAL ASSETS	70 429 762	69 404 380	61 170 975

LIABILITIES AND EQUITY	30.06.2018	31.12.2017 Restated *	01.01.2017 Restated *
Amounts due to banks	562 221	743 911	381 235
Amounts due to customers	59 670 800	57 698 144	51 420 275
Financial liabilities	445 932	435 878	298 314
held for trading	n/a	435 878	298 314
measured at fair value through profit or loss	445 932	n/a	n/a
Derivative hedging instruments	8 756	5 419	6 119
Provisions	184 170	90 433	286 791
Other liabilities	1 116 781	1 647 583	1 427 757
Income tax liabilities	127 306	133 659	32 697
Bieżące	127 306	133 659	32 697
Subordinated loans	1 918 988	1 914 976	1 164 794
Total liabilities	64 034 954	62 670 003	55 017 982
Share capital	1 304 587	1 292 636	1 292 578
Supplementary capital	5 380 995	4 817 331	4 184 953
Revaluation reserve	64 448	13 944	-71 615
Other reserves	185 494	184 894	184 894
Foreign currency translation differences	-230	594	-22
Accumulated losses	-905 127	-69 870	-26 819
Profit for the year	364 641	494 848	589 024
Equity	6 394 808	6 734 377	6 152 993
TOTAL LIABILITIES AND EQUITY	70 429 762	69 404 380	61 170 975

. ** Details in note 3*

The notes presented on pages 59-63 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate financial statements (in PLN '000)

Interim condensed separate statement of changes in equity

01.01.2018 - 30.06.2018	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
Impact of IFRS 9 and other changes*	0	0	0	10 629	0	-834 261	-823 632
Transfer of the previous year result	0	495 844	0	0	0	-495 844	0
Comprehensive income	0	0	0	39 875	-824	364 641	403 692
net profit	0	0	0	0	0	364 641	364 641
other comprehensive income – valuations	0	0	0	39 875	-824	0	39 051
inc. measured at fair value through other comprehensive income	0	0	0	20 860	0	0	20 860
inc. hedging derivatives	0	0	0	19 015	0	0	19 015
inc. 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	-540 486	6 394 808

**Details in Note 2.2*

1.01.2017- 31.12.2017 Restated **	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
1 January 2017	1 292 578	4 184 953	184 894	-71 615	-22	589 024	6 179 812
Impact of correction of errors	0	0	0	0	0	-26 819	-26 819
1 January 2017 after adjustments	1 292 578	4 184 953	184 894	-71 615	-22	562 205	6 152 993
Transfer of the previous year result	0	632 075	0	0	0	-632 075	0
Comprehensive income	0	0	0	85 559	616	494 848	581 023
net profit	0	0	0	0	0	494 848	494 848
other comprehensive income-valuation	0	0	0	85 559	616	0	86 175
incl. assets available to sale	0	0	0	85 861	0	0	85 861
incl.hedging instruments	0	0	0	-302	0	0	-302
incl.currency translation differences	0	0	0	0	616	0	616
Share issue	58	303	0	0	0	0	361
31 December 2017	1 292 636	4 817 331	184 894	13 944	594	424 978	6 734 377

1.01.2017- 30.06.2017 Restated **	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
1 January 2017	1 292 578	4 184 953	184 894	-71 615	-22	632 075	6 222 863
Impact of correction of errors	0	0	0	0	0	-26 819	-26 819
1 January 2017 after adjustments	1 292 578	4 184 953	184 894	-71 615	-22	605 256	6 196 044
Transfer of the previous year result	0	632 075	0	0	0	-632 075	0
Comprehensive income	0	0	0	40 276	77	169 952	210 305
net profit	0	0	0	0	0	169 952	169 952
other comprehensive income-valuation	0	0	0	40 276	77	0	40 353
incl. assets available to sale	0	0	0	34 583	0	0	34 583
incl.hedging instruments	0	0	0	5 693	0	0	5 693
incl.currency translation differences	0	0	0	0	77	0	77
Other changes	0	0	0	0	0	-36 326	-36 326
31 June 2017	1 292 578	4 817 028	184 894	-31 339	55	106 807	6 370 023

*** Details in note 3*

The notes presented on pages 59-63 constitute an integral part of these interim condensed separate financial statements

Interim condensed separate financial statements (in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2018 – 30.06.2018	01.01.2017 - 30.06.2017 Restated *
Operating activities		
Profit before tax for the year	504 897	234 242
Adjustments:	88 081	95 602
Unrealized foreign exchange gains/losses	2 657	-3 906
Amortization/depreciation of tangible and intangible assets	83 192	86 930
Change in impairment loss of tangible fixed and intangible assets	2 232	12 578
Gross profit after adjustments and before changing balances	592 978	329 844
Change in loans and receivables	-2 207 045	-2 251 749
Change in financial assets measured at fair value through other comprehensive income	1 525 600	n/a
Change in financial assets measured at fair value through profit or loss	-211 876	n/a
Change in financial assets measured at amortized cost	-550 218	n/a
Change in financial assets available for sale	n/a	2 888 519
Change in investment securities held to maturity	n/a	1 954
Change in financial assets held for trading	n/a	-1 491
Change in assets pledged as collateral	73 250	-143 978
Change in hedging asset derivatives	15 353	25 780
Change in non-current assets held for sale	86	211
Change in other assets	168 071	122 598
Change in deposits	1 612 951	835 310
Change in issued debt	-37 666	-70 508
Change in financial liabilities held for trading	10 054	68 177
Change in hedging liabilities derivative	3 337	2 749
Change in other liabilities and other comprehensive income	-339 193	-409 171
Change in provisions	93 737	-100 733
Net cash flow from operating activities before income tax	749 419	1 297 512
Income tax paid	-196 623	6 294
Net cash flow from operating activities	552 796	1 303 806
Investing activities		
Outflows:	-97 158	-114 938
Purchase of property, plant and equipment	-16 076	-44 100
Purchase of intangible assets	-36 274	-45 672
Investments in subsidiaries	-44 808	-25 166
Inflows:	438	3 084
Dividend received	94	2
Disposal of tangible fixed assets	344	3 082
Net cash flow from investing activities	-96 720	-111 854
Financing activities		
Outflows:	-51 662	-34 050
Interest expense – subordinated loan	-51 662	-34 050
Inflows:	12 551	0
Inflows from share issue	12 551	0
Inflows from the issuance of subordinated liabilities	0	0
Net cash flow from financing activities	-39 111	-34 050
Total net cash flow	416 965	1 157 902
incl. exchange gains/(losses)	35 575	-57 358
Balance sheet change in cash and cash equivalents	416 965	1 157 902
Cash and cash equivalents, opening balance	1 611 714	1 707 153
Cash and cash equivalents, closing balance	2 028 679	2 865 055
Additional disclosures on operating cash flows		
Interests received	2 034 721	1 914 929
Interests paid	-470 180	-341 960

** Details in note 3*

The notes presented on pages 59-63 constitute an integral part of these interim condensed consolidated financial statements.

1 Basis for preparation

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA compise data concerning the Bank and cover the period of six months ended on 30 June 2018 and contain comparative data for the period of six months ended 30 June 2017 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows) and comparative data as at 31 December 2017 (with respect to the separate statement of financial position). The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, amounts are presented in thousands of zlotys.

Statement of compliance

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

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the financial period from 1 January 2018 to 30 June 2018, and interim condensed separate statement of financial position as at 30 June 2018 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2018.

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2018.

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

2 Accounting principles

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

3 Restatement of comparative data and explanation of differences in relation to previously published financial statements

- Correction of the error regarding Corporate Tax for years 2012-2017

In 2018, the Bank corrected its Corporate Income Tax returns for years 2012-2017 due to mistakenly excluding of the accrued not-received interest as of the day of writing-off from its tax reconciliation for these years, which resulted in the understatement of the tax base. Simultaneously, the part of interest on off-balance sheet receivables was incorrectly recognized as positive temporary difference and included in the deferred tax liability. In consequence, an adjustment to the Bank's financial statements was recognized as the difference to retained earnings as of 31 December 2017 and by restating the comparative data. The below table presents the breakdown of the correction impact together with penalty interest in the respective years:

Interim condensed separate financial statements (in PLN '000)

Corrected period	Correction of income tax	Amount of interest on tax arrears
2012	2 190	0
2013	3 644	128
2014	1 270	350
2015	5 517	407
2016	60	758
2017	1 645	1 186
Total	14 327	2 828

The impact of the correction described above on the comparative data is:
Equity as at 31.12.2017 r. -17 155 thousand PLN
Net profit for HY of 2017 +8 793 thousand PLN

- Correction of the recognition of the result on structured products

The Bank changed the method of fair value measurement of options embedded in the structured products issued by the bank (Bank Securities – BS). Previously, embedded options were measured based on parameters not derived from an active market. Currently, the Bank uses parameters from the interbank market, on which the bank concludes reverse transactions, securing options built into BS. The Bank also changed the method of recognizing costs and revenues related to the distribution of BS. Under the previous methodolody, the incremental costs were similar in amount to the distribution fee and therefore the costs and the fee were recognized at the time the transaction was concluded. The Bank reviewed the incremental costs, as a result of which their level was reduced, therefore the Bank is currently gecognising both revenues from the distribution fee and incremental costs over time up to the maturity date of the BS.
The impact of the correction described above on the comparative data is:
Equity as at 31.12.2017 PLN -34 446 thousand
Net profit for HY of 2017 PLN -13 462 thousand

- Correction of the recognition BFG's cost in the form of liability to pay as a blockage of securities in previous year

In connection with the amendment of the Bank Guarantee Fund Act from 2017 and the regulation of the Minister of Development and Finance of 10 March 2017 on the transfer in the form of liability to pay contributions to the Bank Guarantee Fund, Alior Bank using §4 of this Regulation, settles (30% of due fee) with BFG in the form of a liability to pay, as a blockage of securities.
After receiving, on 2 March 2017 and 20 April 2017, letters from the BFG specifying the amount of contributions to the Deposit Guarantee Fund and the Forced Restructuring Fund, the Bank used incorrectly accounted for that part using current principles of blocking securities related to the Fund for the Protection of Guaranteed Funds and therefore did not recognize it as a liability in the profit and loss statement. Pursuant to IAS 37 and IFRIC 21, the obligation to pay in the form of blocking securities, like the remaining part of the BFG contribution, should be recognized as a cost of the current period. Therefore, the Bank made a retrospective adjustment by recognizing the obligation to pay in the form of blocking securities for 2017 as the cost of 2017 and by redtating the comparative data.

Interim condensed separate financial statements (in PLN '000)

	Due fee	Fee paid	liability to pay
1Q 2017	41 500	28 805	12 345
2Q 2017	11 373	7 961	3 412
3Q 2017	11 218	11 218	0
4Q 2017	11 691	8 184	3 508
Total	75 433	56 168	19 265

The impact of the correction described above on the comparative data is:
Equity as at 31.12.2017 PLN -19 265 thousand
Net profit for HY of 2017 PLN -15 757 thousand
The impact of the above adjustments on the comparative data presented in these financial statements is presented in the tables below.

Statement of financial position	01.01.2017	Adjustmentss	01.01.2017 Restated
Income tax asset	532 570	8 180	540 750
Total assets	61 162 795	8 180	61 170 975
Amounts due to customers	51 404 848	15 427	51 420 275
Income tax liabilities	13 125	19 572	32 697
Total liabilities	54 982 983	34 999	55 017 982
Accumulated losses	0	-26 819	-26 819
Total equity	6 179 812	-26 819	6 152 993

Statement of financial position	31.12.2017	Adjustmentss	31.12.2017 Restated
Income tax asset	530 759	22 202	552 961
Total assets	69 382 178	22 202	69 404 380
Amounts due to customers	57 655 618	42 526	57 698 144
Other liabilities	1 628 318	19 265	1 647 583
Income tax liabilities	102 382	31 277	133 659
Total liabilities	62 576 935	93 068	62 670 003
Accumulated losses	-43 051	-26 819	-69 870
Profit for the period	538 895	-44 047	494 848
Total equity	6 805 243	-70 866	6 734 377

Income statement	01.01.2017 - 30.06.2017	Adjustmentss	01.01.2017 -30.06.2017 Restated
Net interest income	1 376 534	5 319	1 381 853
Net fee and commission income	229 386	-11 738	217 648
The result on financial assets measured at fair value through profit or loss and trading result	171 559	-15 937	155 622
General administrative expenses	-968 305	-10 019	-978 324
Net other operating income and expenses	20 072	-539	19 533
Gross profit	267 156	-32 914	234 242
Income tax	-76 779	12 489	-64 290
Net profit	190 377	-20 425	169 952

Statement of cash flows	01.01.2017- 30.06.2017	Adjustmentss	01.01.2017 – 30.06.2017 Restated
Profit before tax	267 156	-32 914	234 242
Change in other liabilities and other comprehensive income	-442 085	32 914	-409 171

Interim condensed separate financial statements (in PLN '000)

Statement of changes in equity	30.06.2017	Adjustmentss	30.06.2017 Restated
Equity at the beginning of the period	6 222 863	-26 819	6 196 044
Accumulated losses	-36 326	-26 819	-63 145
Profit for the period	190 377	-20 425	169 952
Equity at the end of the period	6 417 267	-47 244	6 370 023

Statement of changes in equity	31.12.2017	Adjustmentss	31.12.2017 Restated
Equity at the beginning of the period	6 179 812	-26 819	6 152 993
Accumulated losses	-43 051	-26 819	-69 870
Profit for the period	538 895	-44 047	494 848
Equity at the end of the period	6 805 243	-70 866	6 734 377

Zysk na jedną akcję	30.06.2017	Adjustments	30.06.2017 Restated
Net profit	190 377	-20 425	169 952
Net profit per share	1,47	-0,16	1,31
Diluted profit per ordinary share	1,44	-0,15	1,29

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:

Name of company	30.06.2018	31.12.2017
Alior Services sp. z o.o.	100%	100%
Centrum Obrotu Wierzytelnościami sp. z o.o.in liquidation	100%	100%
Alior Leasing sp. z o.o.	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	*100%*	*100%*
Meritum Services ICB SA	100%	100%
NewCommerce Services sp. z o.o.	100%	100%
Money Makers TFI SA/Alior TFI SA	100%	60.16%
Absource sp. z o.o.	100%	100%

Subsidiaries	31.06.2018	31.12.2017
Assets		
Loans and advances to customers	1 299 987	1 025 491
Other assets	10 488	4 540
Total assets	1 310 475	1 030 031
Liabilities		

Subsidiaries	31.06.2018	31.12.2017
Amounts due to customers	57 973	55 778
Provisions	194	212
Other liabilities	6 549	2 426
Total liabilties	64 716	58 416

Subsidiaries	31.06.2018	31.12.2017
Off-balance sheet liabilities granted to customers	361 406	248 789
Relating to financing	180 509	75 801
Guarantees	180 897	172 988

Subsidiaries	**01.01.2018 – 30.06.2018**	**01.01.2017 – 30.06.2017**
Interest income	18 571	7 057
Interest expense	-38	-50
Fee and commission income	3 042	2 700
Fee and commission expense	-385	0
Other operating income	181	57
Other operating expenses	-6	-1
General administrative expenses	-2 725	-2 702
Net expected credit losses, impairment charges and write-downs	5 211	0
Total	23 851	7 061

6 Significant events after the end of the reporting period

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