This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Interim condensed consolidated financial statements for the period from 1 January 2017 to 31 March 2017 RAIFFEISEN BANK POLSKA S.A. GROUP

The Management Board presents the interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Group for the period from 1 January 2017 to 31 March 2017

Piotr Czarnecki	President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Maciej Bardan	First Vice-President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Jan Czeremcha	Vice-President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Witold Broniszewski	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Łukasz Januszewski	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Piotr Konieczny	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Patrycja Zenik-Rychlik	Head of Financial Accounting and Taxes Department	Signed on the Polish original ....
name and surname	*position/function*	*signature*

Warsaw, 16 May 2017

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Consolidated statement of profit or loss

	Note	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Continuing operations			
Interest income		390 865	394 950
Interest expense		-122 650	-158 867
Net interest income	5	**268 215**	**236 083**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	6	-60 878	-39 748
including Proceeds from sale of receivables and other		3 079	36
Fee and commission income		157 990	159 392
Fee and commission expense		-16 385	-20 880
Net fee and commission income	7	**141 605**	**138 512**
Net income from financial instruments measured at fair value and net foreign exchange result	8	13 360	12 966
General administrative expenses	9	-290 743	-303 131
Other operating income	10	13 563	2 664
Other operating expenses	10	-122 027	-14 347
Tax on financial institutions		-36 711	-28 811
Dividend income		76	0
Profit/loss before tax		**-73 540**	**4 188**
Income tax expense	11	-2 603	-26 033
Net loss from continuing operations		**-76 143**	**-21 845**
Net profit from discontinued operations	12	**0**	**11 720**
Net loss		**-76 143**	**-10 125**
Profit attributable to the equity holders of the Parent Entity, including:		**-76 143**	**-10 125**
Loss from continuing operations		**-76 143**	**-21 845**
Profit from discontinued operations		**0**	**11 720**
Weighted average number of ordinary shares (in units)	28	115 336 079	248 260
Profit/loss attributable to the Parent Entity equity holders per one ordinary share (in PLN)		-1	-41
Profit/loss from continuing operations per ordinary share (in PLN)		-1	-88
Profit/loss from discontinued operations per ordinary share (in PLN)		0	47
Weighted average number of diluted shares (in units)	28	115 336 079	248 260
Profit/loss attributable to the Parent Entity equity holders per diluted share (in PLN)		-1	-41
Profit/loss from continuing operations per diluted share (in PLN)		-1	-88
Profit/loss from discontinued operations per diluted share (in PLN)		0	47

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

	Note	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Net loss from continuing operations		**-76 143**	**-21 845**
Net profit from discontinued operations		**0**	**11 720**
Other taxable income that may be reclassified to profit or loss, including:		**19 732**	**29 750**
Valuation of cash-flow hedge derivatives, gross	28	11 241	30 758
Income tax on cash-flow hedge derivatives	28	-2 136	-5 844
Valuation of available for sale financial assets, gross	28	13 120	5 971
Income tax on available for sale financial assets	28	-2 493	-1 135
Total comprehensive income		**-56 411**	**19 625**
Total comprehensive income attributable to the Parent Entity shareholders		**-56 411**	**19 625**

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of financial position

Assets	Note	As at 31 March 2017	As at 31 December 2016	As at 31 March 2016
Cash and balances with Central Bank	13	1 620 477	1 731 869	1 092 220
Amounts due from banks	14	186 301	334 563	995 186
Financial assets held for trading	17	5 695 449	8 047 342	8 311 595
Derivative financial instruments	15	406 561	466 709	811 390
Investment securities	18	8 547 312	7 962 554	6 022 839
Loans and advances to customers	19	33 382 463	33 864 497	33 770 164
Intangible assets	20	263 065	383 083	524 191
Property, plant and equipment	21	112 569	118 228	124 651
Deferred tax assets		121 034	127 668	84 896
Current tax receivables		188	0	1 690
Other assets	22	217 689	221 460	1 013 919
Total assets		**50 553 108**	**53 257 973**	**52 752 740**

Liabilities and equity	Note	As at 31 March 2017	As at 31 December 2015	As at 31 March 2016
Amounts due to banks and other monetary institutions	23	7 340 697	7 433 406	7 339 745
Derivative financial instruments	15	1 119 351	1 546 166	1 469 749
Amounts due to customers	24	34 327 831	36 329 411	35 695 520
Subordinated liabilities	25	316 748	332 096	725 949
Liabilities from debt securities issued	26	505 665	501 830	505 690
Other liabilities		495 344	541 690	446 833
Current tax liabilities		336	63 963	0
Provisions	27	140 866	146 729	160 314
Total liabilities		**44 246 838**	**46 895 291**	**46 343 800**
Equity attributable to shareholders of the Parent Entity		**6 306 270**	**6 362 682**	**6 408 940**
Share capital	28	2 256 683	2 256 683	2 256 683
Supplementary capital		2 287 607	2 287 607	2 287 790
Other capital and reserves	28	1 052 220	1 002 489	1 073 628
Retained earnings	28	709 760	815 903	790 839
Total equity		**6 306 270**	**6 362 682**	**6 408 940**
Total liabilities and equity		**50 553 108**	**53 257 973**	**52 752 740**

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital	Supplementary capital	Retained earnings: Other capital and reserves	Retained earnings: Accumulated profit	Retained earnings: Net profit for the period	Total equity attributable to owners of the Parent Entity	Total equity
As at 1 January 2017		**2 256 683**	**2 287 607**	**1 002 489**	**801 148**	**14 755**	**6 362 682**	**6 362 682**
Valuation of available for sale financial assets, net		0	0	10 627	0	0	10 627	10 627
Valuation of cash-flow hedge derivatives, net		0	0	9 105	0	0	9 105	9 105
Net loss for the period		0	0	0	0	-76 143	-76 143	-76 143
Total comprehensive income		**0**	**0**	**19 732**	**0**	**-76 143**	**-56 411**	**-56 411**
Transfer of net result to retained earnings		0	0	0	14 755	-14 755	0	0
Transactions with owners		**0**	**0**	**30 000**	**-30 000**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	30 000	-30 000	0	0	0
As at 31 March 2017	**28**	**2 256 683**	**2 287 607**	**1 052 220**	**785 903**	**-76 143**	**6 306 270**	**6 306 270**

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity (cont.)

					Retained earnings			
	Note	Share capital	Supplementary capital	Other capital and reserves	Accumulated profit	Net profit for the period	Total equity attributable to owners of the Parent Entity	Total equity
As at 1 January 2016		**2 256 683**	**2 370 746**	**1 018 927**	**556 781**	**186 178**	**6 389 315**	**6 389 315**
Valuation of available for sale financial assets, net		0	0	4 835	0	0	4 835	4 835
Valuation of cash-flow hedge derivatives, net		0	0	24 915	0	0	24 915	24 915
Net loss for the period		0	0	0	0	-10 125	-10 125	-10 125
Total comprehensive income		**0**	**0**	**29 750**	**0**	**-10 125**	**19 625**	**19 625**
Transfer of net result to retained earnings		0	0	0	186 178	-186 178	0	0
Acquisition of shares fromnon-controlling interests		0	0	633	-633	0	0	0
Changes in the Group structure		0	-137 191	-682	137 873	0	0	0
Transactions with owners		**0**	**54 235**	**25 000**	**-79 235**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	25 000	-25 000	0	0	0
Transfer of net result to statutory supplementary capital		0	54 235	0	-54 235	0	0	0
As at 31 March 2016	**28**	**2 256 683**	**2 287 790**	**1 073 628**	**800 964**	**-10 125**	**6 408 940**	**6 408 940**

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of cash flows

Operating activities	***Note***	**For the financial period from 1 January 2017 to 31 March 2017**	**For the financial period from 1 January 2016 to 31 March 2016**
Profit/loss before tax		**-73 540**	**59 344**
Adjustments:		**-313 112**	**12 354**
Depreciation and amortization	9	18 227	34 726
Impairment of tangible and intangible fixed assents and investement securities		5 626	6 493
Unrealized foreign exchange differences		-322 691	-27 228
(Gains) on sale of discontinued operations		0	-33 751
Transfer of interest and dividend from investing and financing activities		-14 313	39 016
Loss on sale, liquidation of tangible and intangible fixed assets		39	0
Other adjustments		0	-6 902
Changes in operating assets and liabilities		**742 720**	**2 092 495**
Interbank placements, loans and advances to other banks		65 785	231 236
Financial assets held for trading		2 328 733	4 224 292
Derivative financial instruments		-397 760	-276 396
Loans and advances to customers		215 797	-463 947
Other assets		117 610	-81 534
Amounts due to banks and other monetary institutions		220 522	141 206
Amounts due to customers		-1 898 092	-1 864 175
Other liabilities		-46 258	69 030
Provisions		-5 857	4 299
Dividends received		76	0
Income tax paid/received		-64 343	-137 530
Interest received		337 959	413 693
Interests paid		-131 452	-167 678
Net cash flow from operating activities		**356 068**	**2 164 193**

Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of cash flows (cont.)

Investing activities	Note	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Proceeds from sale of investment securities		338 653	209 809
Proceeds from sale of property, plant and equipment and intangible fixed assets		17	147
Purchase of investment securities		-877 008	-2 361 500
Outflows from purchase of property, plant and equipment and intangible fixed assets		-6 606	-22 972
Decrease in cash and cash equivalents due to changes in Group structure		0	-419 236
Net cash flow from investing activities		**-544 944**	**-2 593 752**
Financing activities			
Inflows from subordinated liabilities and long-term bank loans		0	1 237 566
Outflows from repayment of subordinated liabilities and long-term bank loans		0	-2 512 918
Net cash flow from financing activities		**0**	**-1 275 352**
Net decrease in cash and cash equivalents		**-188 876**	**-1 704 911**
Cash and cash equivalents at beginning of the period	30	1 884 977	2 913 206
Cash and cash equivalents at the end of the period	**30**	**1 696 101**	**1 208 295**

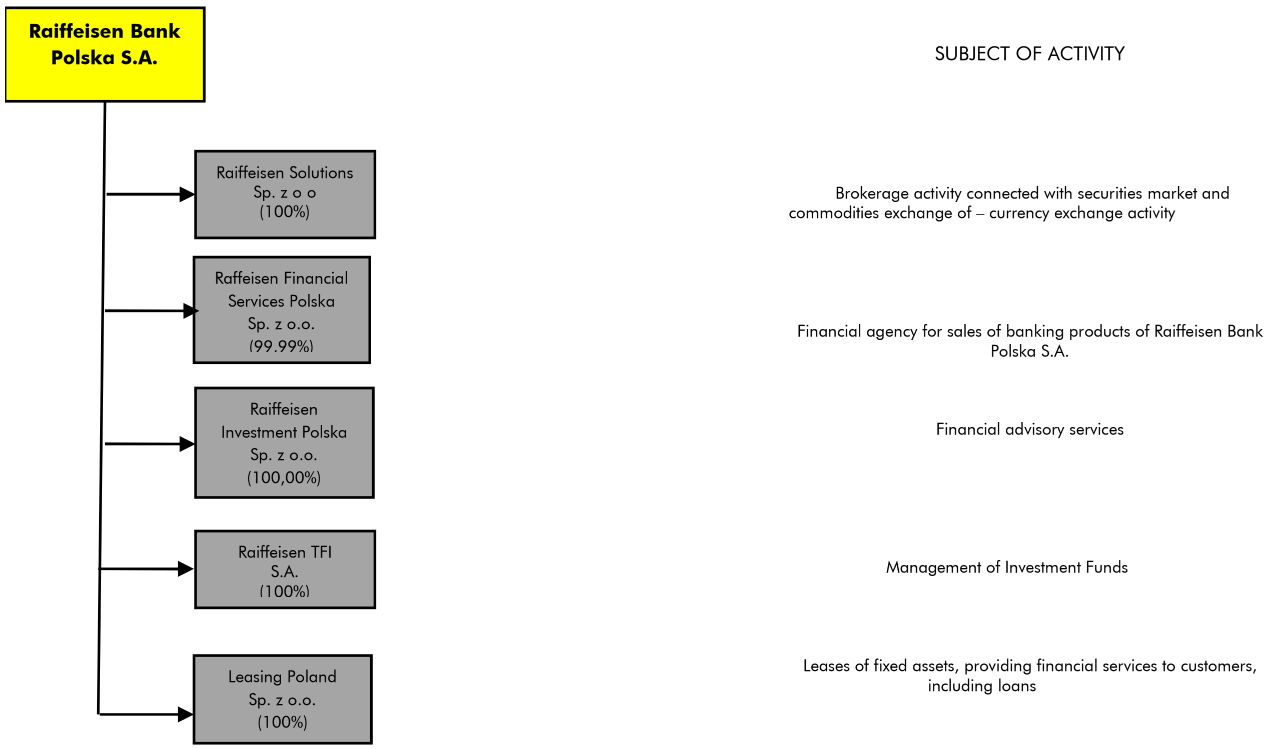
Notes presented on pages 12- 87 are an integral part of the interim condensed consolidated financial statements.

Notes to the consolidated financial statements

1. General information

The interim condensed consolidated financial statements have been prepared by **Raiffeisen Bank Polska S.A.** with its registered office in Warsaw, 00-844, Grzybowska 78 Street, registered in the National Court Register as a joint-stock company under the reference number KRS 0000014540 by the District Court for the capital city of Warsaw, XII Commercial Department of National Court Register.

The Raiffeisen Bank Polska S.A. Group is composed of the following entities as of 31 March 2017:



Notes to the consolidated financial statements (cont.)

Entities consolidated on a full consolidation basis:

- **Raiffeisen Bank Polska S.A. („Parent Entity")**
- **Raiffeisen-Leasing Polska S.A.** (till 31 March 2016)
- **Raiffeisen Insurance Agency Sp. z o.o.** (till 31 March 2016)
- **Raiffeisen-Leasing Service Sp. z o.o.** (till 31 March 2016)
- **Raiffeisen-Leasing Real Estate Sp. z o.o.** (till 31 March 2016)
- **Raiffeisen Financial Services Polska Sp. z o.o.**
- **Raiffeisen Investment Polska Sp. z o.o.**
- **Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.**
- **Raiffeisen Solutions Sp. z o.o.**

In addition, the Group consolidated special purpose entity and ROOF Poland Leasing 2014 DAC, located in Ireland, through which the Group concluded securitization of leasing debts. This entity was consolidated because the Parent Entity controls it, without an equity interest in this entity.

The special purpose entity ROOF Poland Leasing 2014 DAC was consolidated till 31 March 2016, until the loss of control due to the sale of 100% of the shares in Raiffeisen-Leasing Polska S.A. through which the Parent Entity controlled the special purpose entity.

The company Leasing Poland Sp. z o.o. has not been consolidated due to its insignificance.

The Group operates in retail banking, corporate banking and investment banking as well as in factoring in Poland and employed 4 983 employees as at 31 March 2017 (5 061 employees as at 31 December 2016).

Notes to the consolidated financial statements (cont.)

The terms used in these interim condensed consolidated financial statements are defined as follows:

Bank or Parent Entity – Raiffeisen Bank Polska S.A.,

Subsidiaries – Raiffeisen-Leasing Polska S.A., Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen Financial Service Polska Sp. z o.o., Raiffeisen-Leasing Service Sp. z o.o., Raiffeisen-Leasing Real Estate Sp. z o.o., Leasing Poland Sp. z o.o., Raiffeisen Investment Polska Sp. z o.o., Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A., Raiffeisen Solutions Sp. z o.o.,

RBI – Raiffeisen Bank International AG, the ultimate Parent Entity for the Bank,

Raiffeisen Regional Banks - the ultimate parent entity, (Banks are parties to the RBI Consortium Agreement),

Group or Capital Group – Raiffeisen Bank Polska S.A. Group,

RBI Group – the Raiffeisen International AG (Group RBI), which includes, among others, banks from Central and Eastern Europe controlled by RBI, foreign branches of RBI, Austrian financial institutions and other supporting institutions.

Approval of these interim condensed consolidated financial statements

The Parent Entity's Management Board approved these interim condensed consolidated financial statements on 16 May 2017.

Shareholders of the Parent Entity

The majority shareholder of Raiffeisen Bank Polska S.A. is Raiffeisen Bank International AG, which was created from separated areas of Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen International Bank-Holding AG (RI). Raiffeisen Regional Banks holds a 58,8% stake in RBI as at 31 March 2017. The rest of the equity is in free float on the Vienna Stock Exchange, where RBI is listed since 2005. RBI is the Parent Entity of Raiffeisen Bank Polska SA and holds a 100% share.

Changes within the Group structure in the current reporting period

In the period from 1 January 2017 till 31 March 2017 there were no changes within the Group structure.

As at 31 March 2017 the Parent Entity's Management Board consisted of:

Piotr Czarnecki	– President of the Management Board
Maciej Bardan	– First Vice-President of the Management Board
Jan Czeremcha	– Vice-President of the Management Board
Witold Broniszewski	– Member of the Management Board
Łukasz Januszewski	– Member of the Management Board
Piotr Konieczny	– Member of the Management Board

Notes to the consolidated financial statements (cont.)

As at 31 March 2017 the Parent Entity's Supervisory Board consisted of:

Johann Strobl	– Chairman of the Supervisory Board
Martin Grüll	– Deputy Chairman of the Supervisory Board
Klemens Breuer	– Member of the Supervisory Board
Peter Lennkh	– Member of the Supervisory Board
Andreas Gschwenter	– Member of the Supervisory Board
Hannes Mösenbacher	– Member of the Supervisory Board
Władysław Gołębiewski	– Member of the Supervisory Board
Selcuk Sari	– Member of the Supervisory Board

In the period from 1 January 2017 to 31 March 2017 the following changes in the Management and Supervisory Boards took place.

On 22 December 2016 Ryszard Drużyński resigned from the position of the Vice-President of the Management Board responsible for the operations and IT management as of 31 January 2017.

On 14 February 2017 Polish Financial Supervision Authority took a decision about the appointment of Witold Broniszewski as a Member of the Management Board supervising the management of the significant risk relating to the Parent Entity's activities.

On 7 March 2017 Karl Sevelda - Chairman of the Supervisory Board of the Bank and Herbert Stepic - Member of the Supervisory Board resigned from their duties effective from 9 March 2017.

On 10 March 2016 the General Meeting of Shareholders of the Parent Company appointed Johanna Strobel to the position of Chairman of the Supervisory Board and appointed Hannes Mösenbacher as a Member of the Supervisory Board.

2. Significant accounting policies

2.1. Basis of preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements have been prepared as at 31 March 2017 and for the period from 1 January 2017 to 31 March 2017.

The interim condensed consolidated financial statements have been prepared in Polish zloty (PLN), and all amounts are presented in PLN thousand, unless indicated otherwise.

Notes to the consolidated financial statements (cont.)

The interim condensed consolidated financial statements have been prepared on a going concern basis using the assumption that the Group will continue its business operations substantially unchanged in scope for a period of at least one year from the reporting date. The loss generated in the reporting period does not constitute a threat to the above presented assumption.

Financial data presented in the interim condensed consolidated financial statements of the Group were prepared on a consistent basis.

During the period covered by the interim condensed consolidated financial statements the Group did not introduce significant changes in the accounting policy concerning valuation of assets and liabilities and profit measurement and accounting policies used in the preparation of these financial statement are consistent with policies used for the preparation of Raiffeisen Bank Polska S.A. Group Consolidated Financial Statements for the year ended 31 December 2016.

2.2. Statement of compliance

The interim condensed consolidated financial statements of the Group have been prepared and presented in accordance with International Accounting Standard 34 "Interim financial reporting" (IAS 34) as adopted by the European Union.

These financial statements do not include all disclosures required for annual consolidated financial statements, and should be analysed together with Raiffeisen Bank Polska S.A. Group Consolidated Financial Statements for the year ended 31 December 2016.

The Raiffeisen Bank Polska S.A. Group Consolidated Financial Statements for the year ended 31 December 2016 an available for inspection at the District Court for Capital City Warsaw, XII Commercial Department of the National Court Register, Warsaw, 100 Czerniakowska Street or on the Bank's web site www.raiffeisenpolbank.com.

Notes to the consolidated financial statements (cont.)

2.3. New standards, interpretations and revisions to published standards.

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
IFRS 9 Financial instruments (2014)	July 2014	Financial year starting on or after 1 January 2018	Yes	The new standard replaces the guidance included in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, including a model for calculating impairment and new methodology for hedge accounting. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets. Classification of financial assets, according to IFRS 9, should be made on their initial recognition in the balance sheet and should be based on: - business model in the financial assets management; - characteristics of the contractual cash flows, i.e. whether contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding (solely payments of principal and interest, "SPPI"). Under the new standard, debt financial assets are to be classified on initial recognition into one of three categories: - financial assets measured at amortized cost (held to collect contractual cash flows); - financial assets measured at fair value through profit or loss (trading assets); or - financial assets measured at fair value through other comprehensive income (OCI; held to collect contractual cash flows or to be sold). Investments in the equity instruments according to IFRS 9 are to be classifies as: - financial assets measured at fair value through profit or loss (trading assets); or - financial assets measured at fair value through other comprehensive income (when Bank irrevocably elects such presentation).

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				The election is available on an individual share-by-share basis. No amount recognised in OCI in relation to the above-described remeasurement is ever reclassified to profit or loss at a later date. The new standard retains almost all of the existing requirements in IAS 39 on the classification and measurement of financial liabilities and on derecognition of financial assets and financial liabilities. However, IFRS 9 requires that the portion of the gain or loss on a financial liability designated at initial recognition as fair value through profit or loss that is attributable to changes in its credit risk be presented in OCI, with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, or if the financial liability is a loan commitment or a financial guarantee contract, the entire fair value change is presented in profit or loss. In respect of the financial assets measured at amortized cost impairment requirements, IFRS 9 replaces the "incurred loss" impairment model in IAS 39 with an "expected credit loss" model. The new approach aims to address concerns about "too little, too late" provisioning for impairment losses. In short, the expected credit loss model uses a dual measurement approach, under which the loss allowance is measured as either: • 12-month expected credit losses, or • lifetime expected credit losses. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit loss. If, however, its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognized. The standard contains a rebuttable presumption that the condition for recognizing

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				lifetime expected credit losses is met when payments are more than 30 days past due. Changes introduced by IFRS 9 require implementation of credit risk assessment model more complex and using significantly more extensive amount of data compared to models built according to IAS 39. Implementation of new impairment calculation methodology requires changes in the IT systems and processes currently functioning in the Bank. In connection with these changes, in the year 2016 the Bank started the project, which objective is to: implement models for credit risk parameters according to IFRS 9, introduce changes in the IT systems used in the impairment and provisions calculation and adjust Bank's internal processes, including process for implementation of new products. In the scope of the project there is also gathering of the information required to classify financial assets to the appropriate valuation category. In the year 2017 it is planned to start a parallel run of impairment and provisions calculations according to IFRS 9, taking into account classification to appropriate valuation category and valuation of applicable financial assets to fair value. As far as classification is concerned, for financial instruments held in business model aiming at collecting contractual cash flows, Bank analyzes the characteristics of cash flows, in order to identify instruments, which do not meet SPPI test and according to IFRS 9 have to be valued to fair value through profit or loss. The analyzed clauses or characteristics are among others coefficient for the interest rate, inconsistency between frequency of interest rates reset and market periods in which these rates are valid. Currently, according to IAS 39 such financial assets were valued at amortized cost. At the date of the preparation of these financial statements the Group did not have reliable and precise estimation of impact of changes being result of implementation of IFRS 9.

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
IFRS 14 Regulatory deferral accounts	January 2014	Financial year starting on or after 1 January 2016	No	This interim standard: - permits first time adopters of IFRS to continue to use its previous GAAP to account for regulatory deferral account balances both on initial adoption of IFRS and in subsequent financial statements - requires entities to present regulatory deferral account balances and movements therein as separate line items on the face of the financial statements - requires specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with this interim Standard. Due to nature of Group's activity IFRS 14 does not apply.
IFRS 15 *Revenue from Contracts with Customers and Amendements to IFRS 15: Effective date of IFRS 15*	May 2014/ September 2015	Financial year starting on or after 1 January 2018	Yes	The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized: - Over time, in a manner that depicts the entity's performance; or - At a point in time, when control of the goods or services is transferred to the customer. Included in the Standard are new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				As at the date of the financial statements reliable estimation of the standard impact was not prepared by the Group.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*)	September 2014	The effective date was deferred indefinitely	No	The Amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. While IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture, IFRS 10 requires full profit or loss recognition on the loss of control of subsidiary. The Amendments require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business Combinations* (whether it is housed in a subsidiary or not). A partial gain or loss (only to the extent of unrelated investors' interests) shall be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Group does not expect the Amendments to have a material impact on its financial statements once applied.
IFRS 16 Leases	January 2016	Financial year starting on or after 1 January 2019	No	IFRS16 replaces IAS17 Leases and connected with this standard interpretations. In relation to lessees new Standard eliminates existing currently division for finance and operating leases. Accounting for operating leases in the statements of financial position would result in recognition of new asset – right to use leased item – and new liability – liability to pay for the leasing. Rights to use assets under leasing would be amortized and from liabilities interest accruals would be calculated. It would result in recognition of higher expenses in the initial phase of the leasing, even when parties agreed on constant yearly payments.

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				Lessors accounting for leasing in majority of cases would not change as division for operating and finance leasing would be valid. At the initial application impact of the Standard would depend on specific facts and circumstances relating to leasing agreements conducted by the Group. At the date of these consolidated financial statements presentation Group is not able to assess impact of the Standard on the consolidated financial statements.
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts	September 2016	Financial year starting on or after 1 January 2018	No	The Amendments provide two options for the entities: - deferral approach - an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts, - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from changes in valuation of designated financial assets applying IFRS 9 before new Insurance contracts standard is effective (the overlay approach) The above described changes are not expected to have a significant impact on Group's consolidated financial statements.
Recognition of deferred tax assets connected to unrealized losses (Changes to IAS 12 Income taxes)	January 2016	Financial year starting on or after 1 January 2017	No	Changes explain, among others, that unrealized changes connected with debt instruments recognized as fair value in financial statements, for which tax value is their initial cost, can result in recognition of negative temporary tax differences. The above described changes are not expected to have significant impact on Group's financial statements.
Disclosure initiative (Changes to IAS 7 Statements of Cash flows)	January 2016	Financial year starting on or after 1 January 2017	No	Changes come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes resulting from cash flows and non-cash transactions.

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				One of the ways to meet above requirements is to present opening and closing balances resulting from financing activities. The above described changes are not expected to have significant impact on Group's financial statements.
Clarifications to IFRS 15 (Revenue from Contracts with Customers)	April 2016	Financial year starting on or after 1 January 2018	No	The amendments to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The amendments clarify how to: Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract. Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided). Determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. As at the date of the financial statements a reliable estimation of the Amendments impact has not been prepared by the Group.
Amendments to IFRS 2 Classification and measurement of share-based payment transactions	June 2016	Financial year starting on or after 1 January 2018	No	The amendments provide requirements on the accounting for: a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, b) share-based payment transactions with a net settlement feature for withholding tax obligations; and c) a modification to the terms and conditions of a share-based payment that changes the classification of the

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				transaction from cash-settled to equity-settled. The above described changes are not expected to have a significant impact on Group's financial statements.
Annual Improvements to IFRS Standards 2014-2016	December 2016	Financial year starting on or after 1 January 2017 (for IFRS 12)/ Financial year starting on or after 1 January 2018 (for IAS 28 and IFRS 1)	No	The Annual Improvements to IFRS 2014-2016 make amendments to Standards with appropriate changes to other Standards and Interpretations. Main changes are: - Changes to IFRS 12 – Disclosures of interests in other entities clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. - Changes to IFRS 1 First-time adoption of International Financial Reporting Standards, proposed change relates to deletion of the short-term exemptions in paragraphs E3-E7, because they relate to prior periods. - Changes to IAS 28 Investments in associates and joint ventures clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity (mutual funds or custody funds), is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition The above described changes are not expected to have a significant impact on Group's consolidated financial statements.
Interpretation IFRIC 22 Foreign Currency	December	Financial year starting on or	No	The Interpretation presents instructions how to determine the date of the transaction and thus which exchange rate should be used to translate, on initial

Notes to the consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
Transactions and Advance Consideration	2016	after 1 January 2018		recognition, the advance consideration is paid or received. The Interpretation relates both to transactions generating income and initial recognition of transactions made in foreign currencies. The above described changes are not expected to have a significant impact on Group's consolidated financial statements.
Amendments to IAS 40 Transfers of Investment Property	December 2016	Financial year starting on or after 1 January 2018	No	According to the proposed Amendments, the entity transfers asset to or from investment property when, and only when there was a change in use of this asset. It was proposed to remove the exhaustive list of situations when transfer is required currently presented in the Standard and include the non-exhaustive list of examples of evidence of change in use. The above described changes are not expected to have a significant impact on Group's consolidated financial statements.

In conclusion, the Management of the Parent Entity does not expect that the introduction of these standards and interpretations to have any material impact on the Bank's accounting policies, with the exception of IFRS 9, IFRS 15 and IFRS 16 (impact of IFRS 9, IFRS 15 and IFRS 16 on the applied accounting policies of the Group have not yet been evaluated). The Group intends apply the standards and interpretations at their effective dates (without early application), provided that they will be approved by the EU.

Notes to the consolidated financial statements (cont.)

2.4. Consolidation

Subsidiaries are entities in respect of which the Parent Entity exercises control over its core business operations, control exists when the Bank at the same time:

- has power over the investee,
- from its involvement with the investee it is exposed to variable returns or has rights to these returns,
- has the ability to use its power over investee to affect its returns.

Subsidiaries are consolidated using the fully consolidation method from the moment the Group takes full control over them. Subsidiaries cease to be consolidated when the Group loses control over them. The subsidiaries' accounting policies comply with the Group accounting policies.

2.5. Discontinued operations

A discontinued operation is a component of the Group's business which constitutes a separate line of business or a geographical area of operations, which was sold, made available for sale or is to be disposed of, or is a subsidiary acquired exclusively with a view to re-sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as held for sale, the comparative figures in the statement of profit or loss, are restated as if the operation had been discontinued from the beginning of the comparative period.

3. Significant estimates

The preparation of financial statements in accordance with the IFRS EU requires the Management Board of the Parent Entity to make judgments, estimates and assumptions which affect the adopted accounting policies and the amounts presented in the consolidated financial statements and in the additional notes and explanations, in particular the amounts which cannot be clearly established based on other sources. The estimates and assumptions are made as at the reporting date based on the historical data available, information on the situation at the moment the estimates are made and other factors considered appropriate in a given circumstances, including the expectations as to future events, which seem justified in a given situation. In spite of the fact that the estimates are based on the best knowledge concerning the circumstances and actions undertaken by the Group, the actual results may differ from the estimates. The estimates and assumptions are subject to a regular review. Adjustments in estimates are recognized in the period in which the change of estimate was made, provided that the adjustment only relates to that period, or in the period in which the change was made and in future periods if the adjustment affects both the current and the future periods.

Notes to the consolidated financial statements (cont.)

For preparation of these interim condensed consolidated financial statements the Group adopted the same estimates, which were used for preparation of consolidated financial statements for the year ended 31 December 2016, considering reasons and sources of uncertainties at the reporting date.

The main judgements, estimates and assumptions adopted by the Group are described below.

3.1. Impairment of the loan portfolio

The monitoring of customers in the corporate portfolio is performed based on periodic individual analysis of exposures of this portfolio. An individual counterparty/borrower is treated as one exposure. Impairment allowances are estimated on an individual basis. In calculating impairment allowances, the Parent Entity use the assessments as to which indicators of impairment have been identified, and estimates future cash flows discounted using the effective interest rate, taking into account the estimated value of collateral. When estimating the impairment allowances, the Parent Entity uses internal and external sources of information. The Parent Entity applies the following, depending on the customer segment (corporate customers, SME, project financing, financial institutions, local and regional authorities, public sector entities, governments and central banks): the internal rating system of the Parent Entity or the subsidiaries, or values estimated based on the Parent Entity or subsidiaries' employees professional judgment.

The information on the sensitivity analysis in respect of impairment allowances for amounts due from customers with recognized impairment losses is presented in the table below. The estimate has been performed for the corporate portfolio of loans and advances for which impairment allowances were recognized based on an individual analysis of future cash flows related to repayment and recovery from collateral. As at 31 March 2017 the base value of the allowances calculated under the individual assessment model for balance and off balance sheet exposures is PLN 527 355 thousand, and the base value of discounted recoveries from collateral and cash repayments is PLN 1 170 570 thousand (as at 31 December 2016 respectively: PLN 552 269 thousand and PLN 1 186 875 thousand).

Notes to the consolidated financial statements (cont.)

Estimated change in the allowance for the portfolio of loans and advances analysed case by case based on future cash flows expected from repayment and recovery from collateral	No change in repayment	Repayment by customers increased by 10%	Repayment by customers decreased by 10%
As at 31 March 2017			
No change in inflows from collateral	527 355	522 778	536 470
Inflows from collateral increased by 10%	500 045	495 493	
Inflows from collateral decreased by 10%	566 903		580 145
As at 31 December 2016			
No change in inflows from collateral	552 269	545 734	565 506
Inflows from collateral increased by 10%	522 488	517 093	
Inflows from collateral decreased by 10%	601 263		617 239

3.2. Intangible assets recognized as a result of an acquisition of Polbank EFG S.A. – impairment test

Due to decision to perform digital evolution and optimization of the Bank in the years 2017 – 2019, as at 31 March 2017 the Group performed impairment test of the intangible asset recognized as a result of an acquisition, i.e. the brand "Polbank".

For the purpose of the impairment test the cash generating unit has been determined at the level of the retail segment of the Bank.

Compared to the estimates used for the preparation of consolidated financial statements of the Group for the year ended 31 December 2016, the following changes were made.

For the calculation of the discount rate the Capital Asset Pricing Model was used with risk-free interest rate, beta-coefficient for the banking sector and premium for the capital risk. The required return of equity was assumed at 8.65% nominal rate (as at 31 December 2016 the required return of equity amounted to 9.04%). In order to reflect the cash flows risk generated by the brand 2% margin was added to the nominal rate. The total discount rate was estimated at 10.65% nominal rate (as at 31 December 2016 amounted to 10.04%).

The nominal long-term cash flow growth rate after the forecast period was estimated at 5.0% (4.6% as at 31 December 2016), based on the long-term forecasts of nominal GDP growth.

The assessment of the impairment of „Polbank" brand as at 31 March 2017 resulted in the identification of impairment of PLN 114 000 thousand. The Group decided to write off "Polbank" brand in full.

Notes to the consolidated statement of profit or loss

4. Segment information

The Group divided its operations and identified income and expenses, assets and liabilities to the following operating segments: "Retail Banking", "Corporate Banking", "Financial Institutions and Capital Markets", "Assets and Liabilities Management and Other Activities". This division reflects the internal regulations described in the rules for the classification of customers to specific segments in accordance with the Group's existing business model.

Retail Banking - segment includes products and services dedicated to individual clients and micro-companies. The segment comprises of sub-segments: mass and affluent customers, private banking and micro-companies.

Corporate Banking - segment, which includes sub-segments of large, medium and small corporates. It comprises the sale of products and services to businesses and other entities including companies and cooperatives, non-profit institutions, public sector entities and individual entrepreneurs who, due to the criteria for the distribution segments do not belong to the sub-segment of micro-companies.

Financial Institutions and Capital Markets - transactions, products and services dedicated to banking and non-banking financial entities, business services and currency exchange offices, own activity conducted on own account classified as the Issuer's trading book.

Assets and Liabilities Management and Other Activities, which include assets, liabilities, and the result not attributable to the above segments, in particular:

- the assets, liabilities and result related to Assets and Liabilities Management activities, i.e. the management of liquidity, interest rate risk and currency risk of the Group and its investment portfolio,
- the result on refinancing of assets and liabilities which are not assigned to any of the above mentioned segments,
- intercompany eliminations on the Group's consolidated subsidiaries not assigned to discontinued operations.

The segmentation reflects the principles of classification of customers to specific segments in accordance with the Group's business model, which is based on subjective and financial criteria (such as turnover or net assets). Customer classification used in the segment reporting is different with respect to the classification of customers, which was used in the preparation of the other notes to the financial consolidated statements (in particular, note 19. "Loans and advances to customers" and 24. "Amounts due to customers") and is based on risk classes assigned to the particular clients according to the internal rules of the Group.

Notes to the consolidated statement of profit or loss (cont.)

The activities of the fully consolidated subsidiaries have been assigned to the above-mentioned segments:

• **Raiffeisen-Leasing Polska S.A.** and **Raiffeisen Insurance Agency Sp. z o.o.** – discontinued operations (in previous periods assigned to Retail Banking, Corporate Banking and Asset and Liability Management and Other Activities in accordance with the classification of clients serviced by the subsidiaries),

• **Raiffeisen Financial Services Polska Sp. z o.o.** - Retail Banking,

• **Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.** - Assets and Liabilities Management and Other Activities,

• **Raiffeisen Investment Poland Sp. z o.o.** and **Raiffeisen Solutions Sp. z o.o.** – Financial Institutions and Capital Markets,

• **Raiffeisen-Leasing Service Sp. z o.o.** and **Raiffeisen-Leasing Real Estate Sp. z o.o.** and special purpose entities **Compass Variety Funding LTD** and **ROOF Poland Leasing 2014 DAC** – discontinued operations (in previous periods assigned to Assets and Liabilities Management and Other Activities).

Principles of management information in the Group assume reporting results of segments to the level of gross profit. The individual segments are assigned both the income earned in the course of their activity and the operational costs associated with these activities as well as other components of the statement of profit or loss.

Allocation of operating expenses to segments of the Group is performed in accordance with a methodology approved by the Board. It is a multi-step process which end result is to assign all general operating expenses to segments.

Transactions between segments are conducted on usual, commercial terms. Transfer pricing of money in settlements between segments are valued based on market rates or the rates approved by the Assets and Liabilities Committee (ALCO) and is based on currency, tenor or due date of the transaction and liquidity margins. The allocation of assets and liabilities and related revenues and expenses to segments is based on segmentation of the Group's customers.

According to the Controlling Data principles within the Group, the result of each segment include an allocation of: interest income from the refinancing of equity and subordinated debt, the cost of depreciation of property, plant and equipment and intangible assets. Balance sheet items, with the exception of equity, based on which the above components of profit or loss were calculated, are recognized in full in the Assets and Liabilities Management and Other Activities segment.

Notes to the consolidated statement of profit or loss (cont.)

Corporate Banking assets consist of loans and advances to customers and corporate securities allocated to this segment. The Corporate Banking liabilities consists of balance of deposits due to customers allocated to this segment.

Assets and liabilities of Retail Banking consist of balances allocated to this segment, respectively loans and advances to customers and deposits to customers.

The assets of the Financial Institutions and Capital Markets segment consist of the balance of loans and advances to customers allocated to this segment, a part of financial assets held for trading which does not belong to the liquidity portfolio, the balance of the reserve requirement, part of the balance of cash held in branches providing foreign exchange services, loans and advances to banks and a positive valuation of derivative financial instruments.

The Financial Institutions and Capital Markets Segment consists of the balance of deposits to customers allocated to this segment, deposits to banks excluding long-term financing allocated to Assets and Liabilities Management and Other Activities segment and negative valuation of derivative financial instruments.

Assets and Liabilities allocated to the Asset and Liabilities Management and Other Activities segment consist of items in the statement of financial position which are not assigned to other segments in particular:

- financial assets held for trading and investment securities portfolios which are classified as investment portfolios and liquidity of the Group,
- classified as related to the activities of ALM: liabilities to banks and other entities in respect of long-term funding, including subordinated debt,
- the remaining balance of cash including cash at the Central Bank.

Assets and liabilities unallocated consist of:

- tangible or intangible assets,
- assets and liabilities from income tax,
- other assets and liabilities.

Notes to the consolidated statement of profit or loss (cont.)

For the financial period from 1 January 2017 to 31 March 2017	Continuing operations					Total
	Corporate Banking	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Management & Other Activities	Total continuing operations	
Interest Income	114 664	162 956	8 970	104 274	390 865	**390 865**
Interest Expense	-18 911	-65 629	-15 716	-22 394	-122 650	**-122 650**
Net Interest Income (external)	**95 754**	**97 328**	**-6 745**	**81 879**	**268 215**	**268 215**
Net Interest Income (internal)	-5 574	27 629	13 005	-35 060	0	**0**
Net Interest Income	**90 179**	**124 957**	**6 260**	**46 819**	**268 215**	**268 215**
Non-interest income (external)	75 459	58 669	28 090	-7 177	155 041	**155 041**
Operating Income	**165 638**	**183 626**	**34 349**	**39 643**	**423 256**	**423 256**
General administrative expenses, including:	-78 782	-165 994	-18 618	-27 349	-290 743	**-290 743**
Depreciation	-4 409	-12 857	-856	-105	-18 227	**-18 227**
Tax on financial institutions	-10 153	-17 553	-2 290	-6 714	-36 711	**-36 711**
Provisioning for impairment losses	-22 763	-38 170	-11	66	-60 878	**-60 878**
Other operating result	0	4 165	1 244	-113 872	-108 464	**-108 464**
Profit/loss before tax	**53 940**	**-33 927**	**14 673**	**-108 227**	**-73 540**	**-73 540**
Taxes					-2 603	**-2 603**
Net loss					**-76 143**	**-76 143**
Loss attributable to the equity holders of the Parent Entity					**-76 143**	**-76 143**
Allocated assets	12 264 197	21 347 655	1 642 464	14 584 248	49 838 563	**49 838 563**
Unallocated assets	0	0	0	0	0	**714 545**
Total assets	**12 264 197**	**21 347 655**	**1 642 464**	**14 584 248**	**49 838 563**	**50 553 108**
Allocated liabilities	11 574 878	20 028 860	3 353 086	8 653 468	43 610 292	**43 610 292**
Unallocated liabilities	0	0	0	0	0	**636 546**
Total liabilities	**11 574 878**	**20 028 860**	**3 353 086**	**8 653 468**	**43 610 292**	**44 246 838**

Notes to the consolidated statement of profit or loss (cont.)

For the financial period from 1 January 2016 to 31 March 2016	Continuing operations						
	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Manageme nt & Other Activities	Total continuing operations	Discontinued operations	Consoli-dation elimina-tions	Total
Interest Income	116 562	160 642	9 756	107 991	394 950	0	394 950
Interest Expense	-30 365	-80 338	-21 835	-26 329	-158 867	0	-158 867
Interest Income (external)	**86 197**	**80 304**	**-12 079**	**81 661**	**236 083**	**0**	**236 083**
Interest Income (internal)	3 250	33 936	18 254	-55 440	0	0	0
Net Interest Income	**89 446**	**114 240**	**6 175**	**26 221**	**236 083**	**0**	**236 083**
Non-interest income	74 189	52 769	29 866	-5 345	151 478	0	151 478
Operating Income	**163 635**	**167 009**	**36 041**	**20 876**	**387 561**	**0**	**387 561**
General administrative	-76 740	-192 457	-15 298	-18 635	-303 131	0	-303 131
Including: Depreciation	-4 784	-21 180	-897	-150	-27 011	0	-27 011
Tax on financial institutions	-7 983	-12 275	-1 923	-6 630	-28 811	0	-28 811
Provisioning for impairment	-23 840	-16 081	46	127	-39 748	0	-39 748
Other operating result	0	1 041	131	-12 856	-11 683	0	-11 683
Profit/loss before tax	**55 072**	**-52 763**	**18 997**	**-17 118**	**4 188**	**0**	**4 188**
Taxes							-26 033
Net profit/loss						**11 720**	**-10 125**
Loss attributable to the equity holders of the Parent Entity							**-10 125**
Allocated assets	12 413 235	21 549 599	1 903 829	15 136 731	51 003 393	0	51 003 393
Unallocated assets				0	0	0	1 749 347
Total assets	**12 413 235**	**21 549 599**	**1 903 829**	**15 136 731**	**51 003 393**	**0**	**52 752 740**
Allocated liabilitie	13 780 945	18 954 118	3 534 187	9 467 404	45 736 654	0	45 736 654
Unallocated liabilities				0	0	0	607 146
Total liabilities	**13 780 945**	**18 954 118**	**3 534 187**	**9 467 404**	**45 736 654**	**0**	**46 343 800**

"Non-interest income" from the segments report agree to the sum of "Net fee and commission income" and "Net income from financial instruments measured at fair value and net foreign exchange result" in the consolidated profit and loss account.

The Group operates only on the domestic market.

Revenues from transactions with any single external customer does not represent 10 percent or more of total revenue.

The Group offers a wide range of banking and financial services.

Notes to the consolidated statement of profit or loss (cont.)

5. Net interest income

Interest income	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Loans and advances to banks	4 985	4 993
Loans and advances to customers	273 011	271 583
Financial assets held for trading	27 428	41 447
Derivative hedging instruments	43 396	50 208
Reverse repo instruments	2 123	3 197
Investment securities	39 922	23 522
Total	**390 865**	**394 950**
Interest expense		
Deposits from banks	-2 478	-3 204
Deposits from customers	-91 586	-121 445
Derivative hedging instruments	-1 238	-1 291
Repo intruments	-1 663	-2 318
Loans and advances received (including subordinated loans)	-21 850	-26 744
Debt securities issued	-3 835	-3 865
Total	**-122 650**	**-158 867**
Net interest income (including):	**268 215**	**236 083**
Total interest income from financial assets other than designated at fair value through profit or loss	320 041	303 295
Total interest expense related to financial assets other than designated at fair value through profit or loss	-121 412	-157 576

Notes to the consolidated statement of profit or loss (cont.)

6. Net provisioning for impairment losses on financial assets and provisions for off-balance sheet item

For the financial period from 1 January 2017 to 31 March 2017	At the beginning of the period	Increases		Decreases						At the end of the period	Proceeds from sale of receivables and other	Impact on the result for the period
		Impairment allowance recognised	Foreign exchange differences	Changes due to change in Group structure	Impairment allowance reversal	Write-off of assets	Sale of receivable	Reclassification	Foreign exchange differences			
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on an individual basis												
Amounts due from banks	60	3	0	0	-32	0	0	0	-3	28	0	**29**
Amounts due from individuals	13 256	22 293	0	0	-22 717	0	0	0	-2 269	10 563	0	**424**
Amounts due from micro customers	16 756	3 811	0	0	-3 248	0	0	0	-548	16 771	0	**-563**
Amounts due from large enterprises	548 400	33 635	0	0	-21 336	0	-22 099	0	-17 716	520 884	66	**-12 233**
Amounts due from SME	42 661	8 827	0	0	517	-2 199	0	0	-66	49 740	0	**-9 344**
Off-balance sheet items	25 553	3 150	0	0	-10 124	0	0	0	-699	17 880	0	**6 974**
Investment securities	27 159	5 626	0	0	0	0	0	0	0	32 785	0	**-5 626**
Total	**673 845**	**77 345**	**0**	**0**	**-56 940**	**-2 199**	**-22 099**	**0**	**-21 301**	**648 651**	**66**	**-20 339**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on a collective basis (including IBNR)												
Amounts due from banks	40	9	0	0	-38	0	0	0	-2	9	0	**29**
Amounts due from individuals	677 884	138 426	0	0	-113 780	0	-5 315	1 365	-12 234	686 346	2 513	**-22 133**
Amounts due from micro customers	352 139	49 177	0	0	-33 315	0	-1 126	-1 153	-860	364 862	499	**-15 363**
Amounts due from large enterprises	61 751	17 273	0	0	-13 961	0	0	-212	-1 337	63 514	0	**-3 312**
Amounts due from SME	4 004	1 542	0	0	-1 589	0	0	0	-24	3 933	0	**47**
Amounts due from the public sector	449	3	0	0	-11	0	0	0	0	441	0	**8**
Off-balance sheet items	5 443	1 315	0	0	-1 499	0	0	0	-87	5 172	0	**184**
Total	**1 101 710**	**207 745**	**0**	**0**	**-164 193**	**0**	**-6 442**	**0**	**-14 544**	**1 124 277**	**3 013**	**-40 540**
Total allowances and provisions	**1 775 555**	**285 090**	**0**	**0**	**-221 133**	**-2 199**	**-28 541**	**0**	**-35 845**	**1 772 927**	**3 079**	**-60 878**

Notes to the consolidated statement of profit or loss (cont.)

For the financial period from 1 January 2016 to 31 March 2016	At the beginning of the period	Increases		Decreases					At the end of the period	Proceeds from sale of receivables	Impact on the result for the period	
		Impairment allowance recognised	Foreign exchange differences	Impairment allowance reversal	Write-off of assets	Sale of receivable	Reclassification	Foreign exchange differences			Discontinued operations	Continuing operations
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on an individual basis												
Amounts due from individuals	21 471	11 460	0	-5 357	-8 039	0	0	-626	18 910	0	-1 332	**-1 670**
Amounts due from micro customers	123 030	35 861	0	-119 126	-7 966	-9 154	0	-307	22 338	0	-29 030	**1 135**
Amounts due from large enterprises	771 563	163 641	0	-83 339	-107 026	-1 268	0	-989	742 582	0	-17 505	**-39 110**
Amounts due from SME	74 056	9 043	3	-32 873	-4 700	-3 792	0	-9	41 729	36	-2 632	**-1 675**
Off-balance sheet items	41 228	24 005	0	0	-32 071	0	0	-67	33 095	0	0	**8 066**
Total	**1 031 348**	**244 010**	**3**	**-240 695**	**-159 801**	**-14 214**	**0**	**-1 998**	**858 653**	**36**	**-50 499**	**-33 254**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on a collective basis (including IBNR)												
Amounts due from banks	165	16	1	0	-50	0	0	0	131	0	0	**34**
Amounts due from individuals	597 795	114 582	0	-2 494	-112 277	-29	-45	-2 993	594 539	0	-1 045	**-1 260**
Amounts due from micro customers	341 662	49 788	-241	-21 168	-58 179	68	47	-6	311 971	0	22 753	**-14 362**
Amounts due from large enterprises	102 807	11 290	-124	-5 212	-39 080	0	-1	-2	69 678	0	22 253	**5 537**
Amounts due from SME	10 670	2 944	-3	-5 440	-4 147	-7	-1	-4	4 013	0	491	**711**
Amounts due from the public sector	96	2	0	0	-9	3	0	0	92	0	0	**7**
Off-balance sheet items	9 046	1 522	0	0	-4 850	0	0	-6	5 712	0	71	**2 837**
Total	**1 062 241**	**180 144**	**-367**	**-34 314**	**-218 592**	**34**	**0**	**-3 011**	**986 135**	**0**	**44 523**	**-6 495**
Total allowances and provisions	**2 093 589**	**424 154**	**-364**	**-275 009**	**-378 393**	**-14 180**	**0**	**-5 009**	**1 844 788**	**36**	**-5 976**	**-39 748**

Notes to the consolidated statement of profit or loss (cont.)

7. Net fee and commission income

Fee and commission income	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
From transaction margin on client's foreign exchange dealings and derivatives	61 632	67 783
From investment and insurance products	23 129	22 806
From debit and credit cards	19 533	17 654
From handling of cash and bank transfers	13 674	14 254
From loans and advances, not being part of the effective interest rate	12 359	11 947
From maintaining of bank accounts	9 993	10 295
From custody and brokerage activities	9 722	7 204
From handling of letters of credit and guarantees	7 137	6 967
Other	811	482
Total	**157 990**	**159 392**
Fee and commission expense		
From payment cards and atm transactions	-4 895	-8 444
From handling of cash and bank transfers	-3 499	-3 662
From transaction margin on client's foreign exchange dealings and derivatives	-1 550	-2 587
From investment and insurance products	-2 361	-2 050
From loans and advances, not being part of the effective interest rate	-1 735	-1 808
From custody and brokerage activities	-1 439	-1 006
From maintaining of bank accounts	-687	-1 042
Other	-219	-281
Total	**-16 385**	**-20 880**
Net fee and commission income (including):	**141 605**	**138 512**
Total commission income related to financial assets other than designated at fair value through profit or loss	86 636	84 405
Total commission expense related to financial assets other than designated at fair value through profit or loss	-13 396	-17 287

Notes to the consolidated statement of profit or loss (cont.)

8. Net income from instruments measured at fair value and net foreign exchange result

Net income from financial instruments measured at fair value	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Net income realized and unrealized (without the currency component) on currency derivatives	-6 068	-26 159
Net income realized and unrealized (without the currency component) on interest rate based derivatives	4 189	4 614
Net income realized and unrealized on debt instruments	8 786	82
Total net income from financial instruments measured at fair	**6 907**	**-21 463**

Net income from financial instruments in hedge accounting		
Fair value hedge	**201**	**244**
Changes in fair value of the hedged instrument	-2 241	867
Changes in fair value of the hedging instrument	2 442	-623
Cash flow hedge	**370**	**920**
Ineffective part of changes in fair value of hedging insturments included in profit or loss	370	920
Total net income from financial instruments in hedge accounting	**571**	**1 164**

Net foreign exchange result		
Realized and unrealized foreign exchange differences arising from the currency component of the valuation of derivatives	364 133	229 924
Realized and unrealized foreign exchange gains/losses on the valuation of other assets and liabilities	-358 251	-196 659
Total net foreign exchange result	**5 882**	**33 265**
Total net income from financial instruments measured at fair value and net foreign exchange result	**13 360**	**12 966**

Additional information on hedged and hedging financial instruments is presented in note 15.

Notes to the consolidated statement of profit or loss (cont.)

9. General administrative expenses

9.1. Salaries, wages and other employee benefits

Salaries, wages and other employee benefits	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Salaries and wages	-106 091	-129 473
Social insurance costs	-19 159	-20 755
Other employee benefits	-2 841	-3 174
Total	**-128 091**	**-153 402**

9.2. Other administrative expenses

Other administrative expenses	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Maintenance and rental of buildings	-27 109	-40 539
including lease installments	-20 902	-31 702
IT and telecommunication costs	-22 623	-22 915
Contribution and payments to Bank Guarantee Fund	-54 534	-23 551
Consulting services	-14 453	-3 880
Marketing costs	-1 859	-5 587
Training costs	-1 114	-755
Costs of other lease installments	-1 140	-949
Other sundry costs	-21 593	-24 542
Depreciation cost including:	-18 227	-27 011
depreciation cost on property, plant and equipment	-8 765	-10 368
depreciation cost on intangible assets	-9 462	-16 642
Total	**-162 652**	**-149 729**

In the first quarter of 2017 the Bank recognized full annual contribution to resolution fund of banks for the year 2017 of PLN 48 483 thousand, presented in line Contribution and payments to Bank Guarantee Fund.

Notes to the consolidated statement of profit or loss (cont.)

10. Other operating income and expense

Other operating income	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Revenue from non-banking activities	4 664	910
Release of other provisions	6 441	530
Income on disposal of property, plant and equipment and intangible assets	17	190
Reversal of impairment allowance on other assets	115	0
Reversal of other asset write offs	3	0
Other	2 323	1 034
Total	**13 563**	**2 664**

Other operating expense	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
	Continuing operations	
Expenses on allocation to other provisions	-2 055	-3 130
Impairment of property, plant and equipment and intangible assets	0	-6 493
Costs of sale and disposal of property, plant and equipment and intangible assets	-114 056	-227
Debt collection costs	-5 225	-3 217
Other	-691	-1 280
Total	**-122 027**	**-14 347**

The expensed relating to "Polbank" brand write off of PLN 114 000 thousand were presented in line Costs of sale and disposal of property, plant and equipment and intangible assets.

11. Income tax expense

Reconciliation of effective tax rate - continuing operations	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Profit/loss before tax	-73 540	4 188
Current income tax at the local tax rate on profit before tax (19%)	13 973	-796
Tax effect of non-deductible expenses incurred and estimated	-16 970	-24 722
Tax effect of non-taxable income	394	-516
Total income tax charge	**-2 603**	**-26 033**

Analysis of income tax expense recognised in the statement of profit or loss	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Current income tax	-512	0
Correction of current income tax regarding previous years	-86	-640
Deferred tax	**-2 005**	**-25 393**
Total income tax charge	**-2 603**	**-26 033**

Notes to the consolidated statement of profit or loss (cont.)

Tax expense is recognized based on Management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. Due to the gross loss as of 31 March 2017 the effective tax rate at the end of first quarter 2017 and first quarter of 2016 is not comparable.

12. Discontinued operations

On 31 March 2016 the Parent Entity sold its shares of Raiffeisen-Leasing Polska S.A. („RLPL") to Raiffeisen Bank International AG. The purpose of the transaction was to improve the Group's capital ratios according to the PFSA recommendation. As a result the Group lost control of the RLPL and all other companies comprising the RLPL Group, namely Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen-Leasing Services Sp. z o.o., Raiffeisen-Leasing Real Estate Sp. z o.o. and the special purpose entity, ROOF Poland Leasing 2014 DAC.

The range of the activities to the disposed operations constituted an important and distinct line of the Group's business and therefore have been classified as discontinued operations.

The Income, expense and net result on these operations, namely RLPL and companies comprising the RLPL Group excluding transactions within the RLPL Group, including transactions concluded between the RLPL Group with the Parent Entity and its subsidiaries for the period ended 31 March 2016 (i.e. till the date the Parent Entity lost control over RLPL Group), are presented in the table below:

Notes to the consolidated statement of profit or loss (cont.)

	For the financial period from 1 January 2016 to 31 March 2016
Interest income	77 294
Interest expense	-42 271
Net interest income	**35 023**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	-5 976
Fee and commission income	10 426
Fee and commission expense	-49
Net fee and commission income	**10 377**
Net income from financial instruments measured at fair value and net foreign exchange result	-117
General administrative expenses	-31 801
Other operating income	15 525
Other operating expenses	-1 626
Profit before tax	**21 405**
Income tax expense	-4 997
Net profit	**16 408**
Result before tax on sale of discontinued operations	**33 751**
Income tax on sale of discontinued operations	**-38 439**
Net profit of discontinued operations	**11 720**
Net cash flow from operating activities	**-119 693**
Net cash flow from investing activities	**-1 211**
Net cash flow from financing activities	**-590 940**

*till the date control over RLPL Group was lost by Parent Entity

Notes to the consolidated statement of profit or loss (cont.)

The assets and liabilities of RLPL GROUP as of the sale date, ie. 31 March 2016 and result on the sale is presented in the table below:

Assets	**As at 31 March 2016**
Amounts due from banks	420 429
Derivative financial instruments	135
Loans and advances to customers	5 582 236
Intangible assets	15 582
Property, plant and equipment	151 873
Deferred tax assets	411 873
Current tax receivables	936
Other assets	80 276
Total assets	**6 663 340**
Liabilities	
Amounts due to banks and other monetary institutions	4 639 515
Derivative financial instruments	558
Amounts due to customers	28 989
Liabilities from debt securities issued	1 262 020
Other liabilities	58 770
Current tax liabilities	1 142
Provisions	11 097
Total liabilities	**6 002 091**
Net assets of discontinued operations	**661 249**
Consideration for sale	**695 000**
Result before tax on sale of discontinued operations	**33 751**
Income tax on sale of discontinued operations	**-38 439**
Result on sale of discontinued operations	**-4 688**

Notes to the consolidated statement of financial position

13. Cash and balances with the Central Bank

	31 March 2017	31 December 2016	31 March 2016
Cash at hand	682 779	667 808	723 232
Balances with the Central Bank	937 698	1 064 061	368 988
Total	**1 620 477**	**1 731 869**	**1 092 220**

14. Amounts due from banks

	31 March 2017	31 December 2016	31 March 2016
Collateral deposits	73 987	139 126	828 040
Cash on current accounts	55 496	153 108	44 103
Loans and advances to banks	36 727	42 429	53 174
Deposits with other banks	20 128	0	70 000
Gross amounts due from banks	**186 338**	**334 663**	**995 317**
Impairment allowance	-37	-100	-131
Net amounts due from banks	**186 301**	**334 563**	**995 186**

15. Derivative financial instruments

The Group enters the following derivative instruments, including those used as cash flows and fair value hedging instruments:

- currency forwards,
- currency options,
- interest rate instruments.

Currency forwards represent commitments to purchase foreign and domestic currencies, including unrealized spot transactions.

Notes to the consolidated statement of financial position (cont.)

Fair values of derivative financial instruments are presented below:

	31 March 2017			31 December 2016			31 March 2016		
	Nominal value of instruments	Fair values		Nominal value of instruments	Fair values		Nominal value of instruments	Fair values	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments in the trading portfolio									
Currency swaps and forwards (fx swap and fx forward)	24 003 976	237 006	221 792	26 089 130	316 843	243 589	45 487 067	566 606	504 538
Options acquired or sold OTC	3 187 861	20 587	21 607	2 415 094	20 016	20 506	2 414 679	19 893	19 776
Total foreign exchange derivatives	**27 191 837**	**257 593**	**243 399**	**28 504 224**	**336 859**	**264 095**	**47 901 745**	**586 498**	**524 314**
Interest rate swaps (IRS)	14 304 896	116 463	71 487	13 715 389	129 828	83 258	13 705 703	174 406	112 850
Forward Rate Agreement (FRA)	2 187 920	119	0	500 000	22	0	2 153 680	431	824
Total interest rate derivatives	**16 492 816**	**116 582**	**71 487**	**14 215 389**	**129 850**	**83 258**	**15 859 383**	**174 837**	**113 674**
Loan forward	**92 985**	**0**	**0**	**79 984**	**0**	**0**	**0**	**0**	**0**
Total	**43 777 638**	**374 175**	**314 886**	**42 799 597**	**466 709**	**347 353**	**63 761 128**	**761 335**	**637 988**
Derivative financial instruments in cash flow hedges									
FX swaps	488 156	15 046	0	1 100 828	0	28 918	1 295 566	45 126	0
Currency interest rate swaps (CIRS)	6 316 728	17 340	788 930	6 256 327	0	1 151 903	6 594 603	4 928	810 603
Total	**6 804 884**	**32 386**	**788 930**	**7 357 155**	**0**	**1 180 821**	**7 890 168**	**50 055**	**810 603**
Derivative financial instruments in fair value hedges									
Interest rate swaps (IRS)	114 270	0	15 535	121 549	0	17 992	122 336	0	21 158
Total	**114 270**	**0**	**15 535**	**121 549**	**0**	**17 992**	**122 336**	**0**	**21 158**
Total derivatives financial instruments	**50 696 792**	**406 561**	**1 119 351**	**50 278 301**	**466 709**	**1 546 166**	**71 773 632**	**811 390**	**1 469 749**

Notes to the consolidated statement of financial position (cont.)

16. Hedge accounting

The Group applies hedging accounting in fair value hedging of granted fixed rate loans. The Group uses interest rate swaps as hedging instruments to pay a fixed interest rate coupon in exchange for floating interest rate coupon.

At the end of December 2005, the Parent Entity granted a fixed interest rate loan for a period of 15 years with a nominal value of EUR 45 million and hedged it with an interest rate swap with a nominal value of EUR 44,9 million. The change in the valuation of the loan and of the hedging transaction as at 31 March 2017 and 31 March 2016 is presented in the tables below. The information on the ineffective portion of the hedge recognized to the statement of profit or loss is presented in note 8.

	For the financial period from 1 January 2017 to 31 March 2017	**For the financial period from 1 January 2016 to 31 March 2016**
Result on change in fair value of hedging instrument	2 442	-623
Result on change in fair value of hedged instrument	-2 241	867
Result on fair value hedge accounting	**201**	**244**
Interest result on derivative hedge instrument	-1 238	-1 291

	For the financial period from 1 January 2017 to 31 March 2017	**For the financial period from 1 January 2016 to 31 March 2016**
Nominal value of hedging instrument	114 270	122 336
Nominal value of hedged instrument	114 270	122 336

The Group applies hedge accounting in cash flow hedges to hedge both interest rate risk and currency risk arising from floating rate mortgage loans granted in CHF and floating interest rate deposits based on WIBOR. The Group uses cross-currency interest rate swaps to pay CHF LIBOR 3M coupon and receive WIBOR 3M coupon, based on the nominal amount defined respectively in CHF and in PLN, and a forward transaction to sell CHF. Nominal and fair values of hedging derivatives are presented in note 15.

Amounts recognized in the consolidated statement of profit or loss and in revaluation reserve for cash flow hedges are presented in the table below:

	For the financial period from 1 January 2017 to 31 March 2017	**For the financial period from 1 January 2016 to 31 March 2016**
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross)	11 241	30 759
profit or loss	43 396	50 208
Ineffective change in fair value of hedging transactions recognized in the statement of profit or loss	370	920

Notes to the consolidated statement of financial position (cont.)

Changes in revaluation reserve for cash flow hedge are presented in the table below:

	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the beginning of the period	**-37 998**	**-46 858**
the period)	461 799	150 612
Interest result on derivative financial instruments in cash flow hedges	-43 396	-50 208
Result on revaluation of derivative financial instruments in cash flow hedges	-406 792	-68 727
Ineffective change in fair value of hedging transactions presented in the statement of profit or loss	-370	-920
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the end of the period	**-26 757**	**-16 100**

In the amount of PLN 26 757 thousand presented in the revaluation reserves, PLN 26 959 thousand relates to the effective part of cash flow hedge hedged with CIRS transactions. In this amount the part hedging cash flows from loans amounted to PLN 71 011 thousand and part hedging to cash flows from deposits amounted to PLN -97 970 thousand.

17. Financial assets held for trading

Financial assets held for trading	31 March 2017	31 December 2016	31 March 2016
Bonds and bills issued by the State Treasury	392 338	371 779	394 937
NBP bills	4 898 790	7 393 915	7 850 000
Other finacial bonds	355 310	0	0
Corporate bonds	46 484	278 225	57 626
Mortgage bonds	2 527	3 423	9 032
Total	**5 695 449**	**8 047 342**	**8 311 595**

Notes to the consolidated statement of financial position (cont.)

18. Investment securities

For the financial period from 1 January 2017 to 31 March 2017	At the beginning of the period	Increases	Decreases (sale, redemption and other)	Change of accrued interests, discount and valuation	Foreign exchange differences	Impair-ment	At the end of the period
Investment securities held to maturity							
Treasury bonds	3 475 082	200 000	0	-8 057	0	0	**3 667 025**
Total held to maturity	**3 475 082**	**200 000**	**0**	**-8 057**	**0**	**0**	**3 667 025**
Investment securities available for sale							
Equity investments	60 140	0	0	2 285	-1 013	0	**61 412**
Financial instruments blocked for BFG*	229 409	0	0	-589	0	0	**228 820**
Other financial bonds	0	150 000	0	663	0	0	**150 663**
Corporate bonds	293 895	27 008	-42 246	1 874	0	-5 626	**274 905**
Treasury bonds	3 904 028	500 000	-233 000	-6 541	0	0	**4 164 487**
Total available for sale	**4 487 472**	**677 008**	**-275 246**	**-2 308**	**-1 013**	**-5 626**	**4 880 287**
Total	**7 962 554**	**877 008**	**-275 246**	**-10 365**	**-1 013**	**-5 626**	**8 547 312**

For the financial period from 1 January 2016 to 31 March 2016	At the beginning of the period	Increases	Decreases (sale, redemption and other)	Change of accrued interests, discount and valuation	Foreign exchange differences	Impair-ment	At the end of the period
Investment securities held to maturity							
Treasury bonds	1 964 957	100 000	0	-9 099	0	0	**2 055 858**
Total held to maturity	**1 964 957**	**100 000**	**0**	**-9 099**	**0**	**0**	**2 055 858**
Investment securities available for sale							
Equity investments	95 495	0	-6	0	88	0	**95 577**
Financial instruments blocked for BFG*	228 816	0	0	-37	0	0	**228 779**
Corporate bonds	319 970	16 500	-11 500	3 085	0	0	**328 055**
Treasury bonds	1 232 417	2 245 000	-219 081	56 234	0	0	**3 314 570**
Total available for sale	**1 876 698**	**2 261 500**	**-230 587**	**59 282**	**88**	**0**	**3 966 981**
Total	**3 841 655**	**2 361 500**	**-230 587**	**50 183**	**88**	**0**	**6 022 839**

*treasure bonds

19. Loans and advances to customers

Client segmentation used in the notes below is based on risk classes attributed to the particular clients according to the Group's internal principles and is different from the classification of clients presented in note 4 "Segment information", which is based on the business model of the Group.

Notes to the consolidated statement of financial position (cont.)

Loans and advances to customers by borrower segment	31 March 2017			31 December 2016			31 March 2016		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Individual customers	19 553 649	696 909	18 856 740	20 322 980	691 140	19 631 840	19 711 086	613 449	19 097 637
Micro customers	2 874 331	381 633	2 492 698	2 860 503	368 895	2 491 608	2 769 066	334 309	2 434 757
Large enterprises	11 250 774	584 397	10 666 377	10 952 367	610 151	10 342 216	11 743 654	812 259	10 931 395
SME	1 333 231	53 673	1 279 558	1 358 375	46 665	1 311 710	1 332 114	45 741	1 286 373
Public sector	87 531	441	87 090	87 572	449	87 123	20 094	92	20 002
Total	**35 099 516**	**1 717 053**	**33 382 463**	**35 581 797**	**1 717 300**	**33 864 497**	**35 576 014**	**1 805 850**	**33 770 164**

Notes to the consolidated statement of financial position (cont.)

Loans and advances to customers by quality

31 March 2017	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued on individual basis	Individual allowance	Impaired loans and advances to customers valued on collective basis	Group impairment allowance	Net amount
Individual customers	18 514 147	56 545	6 321	0	21 872	10 541	1 011 309	629 823	**18 856 740**
Micro customers	2 125 748	15 471	0	0	31 704	16 767	716 879	349 395	**2 492 698**
Large enterprises	9 698 612	40 979	675 386	22 514	876 776	520 904	0	0	**10 666 377**
SME	1 252 311	2 683	18 009	1 244	62 911	49 746	0	0	**1 279 558**
Public sector	87 531	441	0	0	0	0	0	0	**87 090**
Total	**31 678 349**	**116 119**	**699 716**	**23 758**	**993 263**	**597 958**	**1 728 188**	**979 218**	**33 382 463**

Loans and advances to customers by quality

31 December 2016	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued on individual basis	Individual allowance	Impaired loans and advances to customers valued on collective basis	Group impairment allowance	Net amount
Individual customers	19 276 672	52 665	10 518	0	28 940	13 228	1 006 850	625 247	**19 631 840**
Micro customers	2 113 321	14 331	0	0	31 030	16 742	716 152	337 822	**2 491 608**
Large enterprises	9 453 399	46 018	527 026	15 695	971 942	548 438	0	0	**10 342 216**
SME	1 284 748	2 730	18 373	1 270	55 254	42 665	0	0	**1 311 710**
Public sector	87 572	449	0	0	0	0	0	0	**87 123**
Total	**32 215 712**	**116 193**	**555 917**	**16 965**	**1 087 166**	**621 073**	**1 723 002**	**963 069**	**33 864 497**

Notes to the consolidated statement of financial position (cont.)

Loans and advances to customers by quality									
31 March 2016									
	Loans and advances to customers -without impairment trigger and not impaired	**Group impairment allowance IBNR**	**Loans and advances to customers -with impairment trigger but not impaired**	**Group impairment allowance IBNR**	**Impaired loans and advances valued on individual basis**	**Individual allowance**	**Impaired loans and advances to customers valued on collective basis**	**Group impairment allowance**	**Net amount**
Individual customers	18 756 221	53 146	9 992	0	37 774	18 907	907 099	541 396	**19 097 637**
Micro customers	2 058 805	11 173	3 719	0	44 575	22 341	661 967	300 795	**2 434 757**
Large enterprises	9 967 495	49 432	570 387	20 247	1 205 772	742 580	0	0	**10 931 395**
SME	1 262 302	2 560	21 134	1 450	48 678	41 731	0	0	**1 286 373**
Public sector	20 094	92	0	0	0	0	0	0	**20 002**
Total	**32 064 917**	**116 403**	**605 232**	**21 697**	**1 336 799**	**825 559**	**1 569 066**	**842 191**	**33 770 164**

“Loans and advances to customers” as at 31 March 2016 includes finance lease receivables.

Notes to the consolidated statement of financial position (cont.)

20. Intangible assets

	31 March 2017	31 December 2016	31 March 2016
Intangible assets, including:			
Goodwill	0	0	32 966
"Polbank" brand	0	114 000	200 000
Customers relationships	15 082	16 807	24 126
Computer software	227 575	203 270	220 064
Computer software under development	20 376	47 022	41 392
Advances for intangible assets	32	1 984	5 643
Total	**263 065**	**383 083**	**524 191**

Due to decision to perform Bank's digital evolution and optimization in year 2017 – 2019, as at 31 March 2017 the Bank conducted an impairment test of "Polbank" brand, which resulted in write off in full of "Polbank" brand of PLN 114 000 thousand. The expensed relating to "Polbank" brand write off of PLN 114 000 thousand were presented in line Other operating expenses.

21. Property, plant and equipment

	31 March 2017	31 December 2016	31 March 2016
Tangible fixed assets, including:			
Buildings, apartments and leasehold improvements	56 249	58 830	38 044
Technical equipment and machinery	45 304	47 931	56 282
Vehicles	11	12	0
Other tangible assets	7 848	8 249	4 784
Assets under construction	3 157	3 204	24 953
Advances for property, plant and equipment	0	0	587
Total	**112 569**	**118 228**	**124 651**

Notes to the consolidated statement of financial position (cont.)

22. Other assets

Other assets	31 March 2017	31 December 2016	31 March 2016
Financial assets gross			
Collection of bills and cheques	359	2 451	201
Sundry debtors	83 421	85 478	781 061
Settlements with brokerage offices – receivables	6 215	4 757	5 756
Settlements of payment cards transactions - receivables	92 614	101 513	64 421
Total financial assets, gross	**182 609**	**194 199**	**851 439**
Impairment allowance	-9 171	-13 467	-5 384
Total financial assets, net	**173 438**	**180 732**	**846 055**
Non-financial assets gross			
Accruals and prepayments	38 931	35 974	117 104
Income receivable	2 317	1 566	1 899
Assets acquired for debt	2 580	2 581	2 580
Other	391	185	172
Public (law) settlements	32	422	46 111
Total non-financial assets, gross	**44 251**	**40 728**	**167 866**
Impairment allowance	0	0	-2
Total non-financial assets, net	**44 251**	**40 728**	**167 864**
Total	**217 689**	**221 460**	**1 013 919**

23. Amounts due to banks and other monetary institutions

	31 March 2017	31 December 2016	31 March 2016
Current accounts	468 172	140 168	332 536
Term deposits	83 471	194 067	231 372
Loans received	6 789 054	7 099 171	6 775 837
Total	**7 340 697**	**7 433 406**	**7 339 745**

24. Amounts due to customers

	31 March 2017	31 December 2016	31 March 2016
Amounts due to individuals	17 810 138	18 218 007	17 095 563
Amounts due to micro customers	2 452 445	2 565 414	1 966 078
Amounts due to large enterprises	10 973 069	12 326 483	13 262 803
Amounts due to SME	3 092 156	3 219 506	3 371 077
Amounts due to the public sector	23	0	0
Total	**34 327 831**	**36 329 411**	**35 695 520**

Notes to the consolidated statement of financial position (cont.)

25. Subordinated liabilities

	31 March 2017	31 December 2016	31 March 2016
Loan of EUR 25 million due in 2017	105 748	110 849	106 977
Loan of EUR 50 million due in 2024	211 000	221 247	213 429
Loan of EUR 95 million due in 2022	0	0	405 543
Total	**316 748**	**332 096**	**725 949**

26. Liabilities from debt securities issued

For the financial period from 1 January 2017 to 31 March 2017	At the beginning of the period	Decreases due to the changes in the Group structure	Change of accrued interest	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 830	0	3 835	505 665
Total	**501 830**	**0**	**3 835**	**505 665**

For the financial period from 1 January 2016 to 31 March 2016	At the beginning of the period	Decreases due to the changes in the Group structure	Change of accrued interest	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 825	0	3 865	505 690
Liabilities from debt securities issued by securitization entity	1 256 852	-1 259 674	2 822	0
Total	**1 758 677**	**-1 259 674**	**6 687**	**505 690**

Notes to the consolidated statement of financial position (cont.)

27. Provisions

For the financial period from 1 January 2017 to 31 March 2017	At the beginning of the period	Provisions or impairment allowance recorded	Provisions or impairment allowance reversed	Provisions or impairment alllowance utilized	Foreign exchange differences	At the end of the period
Impairment provisions for off-balance sheet commitments assessed individually	25 552	3 150	-10 124	0	-699	**17 879**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	5 444	1 315	-1 499	0	-87	**5 173**
Total impairment provisions	**30 996**	**4 465**	**-11 623**	**0**	**-786**	**23 052**
Provisions for disputes and claims	14 358	0	-58	-700	0	**13 600**
Provision for employee bonuses	65 808	13 032	0	-7 306	0	**71 534**
Provision for unused holidays	16 253	0	0	-638	0	**15 615**
Provision for pension and death benefits	3 237	0	0	-38	0	**3 199**
Restructuring provision	16 067	0	0	-2 204	0	**13 863**
Other provisions	10	0	0	-7	0	**3**
Total provisions	**115 733**	**13 032**	**-58**	**-10 893**	**0**	**117 814**
Total	**146 729**	**17 497**	**-11 681**	**-10 893**	**-786**	**140 866**

For the financial period from 1 January 2016 to 31 March 2016	At the beginning of the period	Provisions or impairment allowance recorded	Provisions or impairment allowance reversed	Provisions or impairment alllowance utilized	Foreign exchange differences	Change in the Group structure	At the end of the period
Impairment provisions for off-balance sheet commitments assessed individually	41 227	24 005	-32 071	0	-67	0	**33 094**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	9 047	1 522	-4 430	-421	-6	0	**5 712**
Total impairment provisions	**50 274**	**25 527**	**-36 501**	**-421**	**-73**	**0**	**38 807**
Provisions for disputes and claims	17 902	2 068	-1 576	-950	0	-288	**17 156**
Provision for employee bonuses	56 861	18 991	0	-10 893	5	-6 894	**58 069**
Provision for unused holidays	23 884	95	0	-704	0	-3 731	**19 543**
Provision for pension and death benefits	3 543	0	0	0	0	-184	**3 359**
Restructuring provision	9 748	19 053	-885	-4 539	0	0	**23 378**
Other provisions	110	0	0	-109	0	0	**1**
Total provisions	**112 048**	**40 207**	**-2 460**	**-17 195**	**5**	**-11 097**	**121 507**
Total	**162 323**	**65 734**	**-38 962**	**-17 616**	**-68**	**-11 097**	**160 314**

Provisions for legal disputes as at 31 March 2017 comprised mainly:

- provision resulting from a penalty imposed on the Parent Entity by the Office of Competition and Consumer Protection (OCCP) in October 2014 concerning the practices connected with concluding of agreements with customers relating to membership of the group insurance for life and endowment programm called "Program Pomnażania Oszczędności Kumulatus". The penalty amounted to PLN 21 122 thousand. The decision is not final. The Parent Entity appealed against the decision and raised a provision

Notes to the consolidated statement of financial position (cont.)

for this penalty in the amount of PLN 10 561 thousand, because, in its opinion the possible outflow will not exceed the amount of the provision;

- provision in the amount of PLN 1 604 thousand for potential claims resulting from disputes with former Polbank franchisee partners,

- provision in the amount of PLN 1 250 thousand relating to legal disputes from the settlements of option transactions.

The restructuring provision as at 31 March 2017, in the amount of PLN 13 863 thousand (PLN 16 070 thousand as at 31 December 2016) has been created mainly for the purpose of severance payments resulting from the existing restructuring programs, as well as costs associated with the liquidation of the Parent Entity branches. The change of the provision with reference to the previous reporting period resulted mainly due to utilized the provisions from realization of employment and branches optimization program from previous years.

28. Equity

All shares have been paid in full. All shares have exactly the same voting and dividend rights. Raiffeisen Bank International AG (RBI) is the only shareholder, currently in possession of 100% of the Parent Entity's share capital.

	Par value of shares held		Number of shares (in units)	
Registered share capital	**For the financial period from 1 January 2017 to 31 March 2017**	**For the financial period from 1 January 2016 to 31 March 2016**	**For the financial period from 1 January 2017 to 31 March 2017**	**For the financial period from 1 January 2016 to 31 March 2016**
At the beginning of the period	2 256 683	2 256 683	248 260	248 260
Split of existing shares	0	0	225 420 080	0
At the end of the period	**2 256 683**	**2 256 683**	**225 668 340**	**248 260**

The Extraordinary General Meeting convened for 29 September 2016 passed resolutions to amend the Bank's Articles of Association, which related among others to changing the number and par value of the Bank shares by split of the existing shares without changing the share capital amount so that the share capital shall be divided into 225 668 340 shares with a par value of PLN 10 and all existing shares shall become new Series AA shares.

An application for registration of the amendments was filed with the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, on 7 November 2016.

On 14 February 2017, the Bank was notified of the registration of the amendments to the Articles of Association by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register.

Notes to the consolidated statement of financial position (cont.)

Other capital and reserves	31 March 2017	31 December 2016
General banking risk reserve	1 025 019	995 019
Settlement of the purchase of an organized part of an entity	-3 883	-3 883
Revaluation reserve for avaiable for sale financial assets	5 236	-5 390
Revaluation reserve for cash flow hedge derivatives	-21 673	-30 778
Brokerage activities reserve	1 000	1 000
Other reserves	46 522	46 522
At the end of the period	**1 052 220**	**1 002 489**

Other notes

29. Contingent liabilities

The table below presents contingent liabilities and contingent assets arising from the contracts:

	31 March 2017	31 December 2016	31 March 2016
Guarantees issued			
Bank guarantees	1 724 497	1 739 565	1 627 289
Letters of credit and bank acceptances	188 586	188 697	174 424
Total guarantees issued	**1 913 083**	**1 928 262**	**1 801 714**
Financial liabilities granted			
Granted loan commitments:	6 933 182	7 129 960	7 658 535
With initial maturity up to 1 year	3 172 073	3 396 644	3 567 384
With initial maturity above 1 year	3 761 109	3 733 316	4 091 151
Total financial liabilities granted	**6 933 182**	**7 129 960**	**7 658 535**
Total	**8 846 265**	**9 058 222**	**9 460 248**

	31 March 2017	31 December 2016	31 March 2016
Guarantees received	5 652 413	5 871 309	5 812 891
Total	**5 652 413**	**5 871 309**	**5 812 891**

30. Supplementary information to statement of cash flows

Cash and cash equivalents	**31 March 2017**	**31 December 2016**	**31 March 2016**
Cash in hand at the Bank	682 779	667 808	723 232
Cash on the current account with the Central Bank	937 698	1 064 061	368 988
Cash on Nostro accounts with other banks	55 496	153 108	46 075
Deposits with other banks (due within 3 months)	20 128	0	70 000
Cash and cash equivalents presented in the cash flow statement	**1 696 101**	**1 884 977**	**1 208 295**

31. Fair value of assets and liabilities

The main assumptions and methods used by the Group to measure the fair value of financial instruments were described in the consolidated financial statements for the year ended 31 December 2016.

The effect of estimated parameters on fair value calculation of financial instruments within Level III, which are measured to fair value in the statement of financial position as at 31 March 2017, was negligible and did not differ significantly from values disclosed in the consolidated financial statements for the year ended 31 December 2016.

Other notes (cont.)

The tables below presents fair values and book values of assets and liabilities analyzed in three levels of the fair value hierarchy:

Postition description	31 March 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
Financial assets										
Cash and balances with Central Bank	1 620 477	1 620 477	0	0	1 620 477	1 731 869	1 731 869	0	0	1 731 869
Amounts due from banks	186 301	186 032	0	0	186 032	334 563	314 103	27 614	0	286 489
Financial assets held for trading	5 695 449	5 695 449	747 648	4 898 790	49 011	8 047 342	8 047 343	371 779	7 393 915	281 649
Derivative financial instruments, including:	406 561	406 561	0	403 499	3 062	466 709	466 720	0	463 054	3 666
Derivative financial instruments held for trading	374 175	374 175	0	371 113	3 062	466 709	466 720	0	463 054	3 666
Cash flow hedge derivative financial instruments	32 386	32 386	0	32 386	0	0	0	0	0	0
Investment securities, including:	8 547 312	8 519 730	8 183 413	0	336 317	7 962 554	7 922 498	7 568 463	0	354 035
Investment securities held to maturity	3 667 025	3 639 443	3 639 443	0	0	3 475 082	3 435 026	3 435 026	0	0
Investment securities available for sale, including:	4 880 287	4 880 287	4 543 970	0	336 317	4 487 472	4 487 472	4 133 437	0	354 035
Equity interests	61 412	61 412	0	0	61 412	60 140	60 140	0	0	60 140
Debt securities	4 668 212	4 818 875	4 543 970	0	274 905	4 427 332	4 427 332	4 133 437	0	293 895
Loans and advances to customers, including:	33 382 463	30 581 710	0	0	30 581 710	33 864 497	31 441 321	0	0	31 441 321
Individual customers	18 856 740	16 453 933	0	0	16 453 933	19 631 840	17 322 307	0	0	17 322 307
Micro customers	2 492 698	2 320 761	0	0	2 320 761	2 491 608	2 364 899	0	0	2 364 899
Large enterprises	10 666 377	10 460 922	0	0	10 460 922	10 342 216	10 355 266	0	0	10 355 266
SME	1 279 558	1 259 318	0	0	1 259 318	1 311 710	1 311 722	0	0	1 311 722
Public sector	87 090	86 776	0	0	86 776	87 123	87 127	0	0	87 127
Other financial assets	173 438	173 438	0	0	173 438	180 732	177 408	0	0	177 408
Total financial assets	**50 012 001**	**47 183 397**	**8 931 061**	**5 302 289**	**32 950 047**	**52 588 266**	**50 101 262**	**7 967 856**	**7 856 969**	**34 276 437**

Other notes (cont.)

Position description	31 March 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
Financial liabilities										
Amounts due to banks and other monetary institutions	7 340 697	7 236 639	0	0	7 236 639	7 433 406	7 325 622	2 888	0	7 322 734
Derivative financial instruments, including:	1 119 351	1 119 351	0	1 118 541	810	1 546 166	1 546 174	0	1 545 812	362
Derivative financial instruments held for trading	314 886	314 886	0	314 076	810	347 353	347 361	0	346 999	362
Cash flow hedge derivative financial instruments	788 930	788 930	0	788 930	0	1 180 821	1 180 821	0	1 180 821	0
Fair value hedge derivative financial instruments	15 535	15 535	0	15 535	0	17 992	17 992	0	17 992	0
Amounts due to customers, including:	34 327 831	34 525 882	0	0	34 525 882	36 329 411	36 369 470	0	0	36 369 470
Amounts due to individuals	17 810 138	17 905 060	0	0	17 905 060	18 218 007	18 239 621	0	0	18 239 621
Amounts due to micro customers	2 452 445	2 458 875	0	0	2 458 875	2 565 414	2 566 605	0	0	2 566 605
Amounts due to large enterprises	10 973 069	11 054 040	0	0	11 054 040	12 326 483	12 341 423	0	0	12 341 423
Amounts due to small and medium enterprises	3 092 156	3 107 879	0	0	3 107 879	3 219 506	3 221 820	0	0	3 221 820
Amounts due to the public sector	23	28	0	0	28	1	1	0	0	1
Subordinated liabilities	316 748	244 532	0	0	244 532	332 096	256 375	0	0	256 375
Liabilities from debt securities issued	505 665	505 710	0	0	505 710	501 830	501 843	0	0	501 843
Other financial liabilities	401 489	401 489	0	0	401 489	444 058	443 976	0	0	443 976
Total financial liabilities	**44 011 781**	**44 033 603**	**0**	**1 118 541**	**42 915 062**	**46 586 968**	**46 443 460**	**2 888**	**1 545 812**	**44 894 760**

Other notes (cont.)

Changes in financial instruments, which were categorized within Level III of fair value hierarchy and in Group's balance sheet measured at fair value, are presented in the table below.

For the financialperiod from 1 January 2017 to 31 March 2017	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
At the beginning of the period	**281 649**	**3 667**	**293 895**	**363**
Increases, including:	8 399	397	6 260	126
Purchase	6 726	0	3 112	0
Derivatives opened during the period	0	234	0	205
Income from financial instruments, included in:	1 673	163	3 148	-79
Net interest income	89	2	3 036	-71
Net income from financial instruments measured at fair value	1 584	161	0	-8
Revaluation reserves	0	0	112	0
Decreases, including:	-241 037	-1 002	-25 250	321
Settlement/ redemption	0	-270	0	-291
Sale	-238 079	0	-17 315	0
Loss from financial instruments, included in:	-2 958	-732	-7 935	615
Net interest income	-474	-65	-440	9
Net income from financial instruments measured at fair value	-2 484	-667	0	606
Revaluation reserves	0	0	-7 495	0
Reclassification	0	0	0	-3
At the end of the period	**49 011**	**3 062**	**274 905**	**810**
Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:	**-623**	**-604**	**-2 765**	**448**
Net interest income	277	0	4 618	0
Net income from financial instruments measured at fair value	-900	-604	0	448
Revaluation reserves	0	0	-7 383	0

Other notes (cont.)

For the financialperiod from 1 January 2016 to 31 March 2016	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
At the beginning of the period	**91 907**	**9 859**	**319 970**	**7**
Increases, including:	15 053	7 360	20 032	687
Purchase	13 138	0	16 625	0
Derivatives opened during the period	0	178	0	642
Income from financial instruments, included in:	1 915	2 162	3 407	0
Net interest income	174	0	2 820	0
Revaluation reserves	0	0	587	0
Reclassification	0	5 020	0	45
Decreases, including:	-40 302	-368	-11 948	7
Settlement/ redemption	0	-285	0	0
Sale	-33 856	0	0	0
Loss from financial instruments, included in:	-6 446	-53	-11 948	7
Net interest income	-233	0	-825	0
Net income from financial instruments measured at fair value	-6 212	-53	0	8
Revaluation reserves	0	0	-11 123	0
Changes in the Gropu structure	0	-31	0	0
At the end of the period	**66 658**	**16 850**	**328 054**	**701**
Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:	**-3 948**	**7 022**	**-5 953**	**695**
Net interest income	523	0	4 583	0
Net income from financial instruments measured at fair value	-4 471	7 022	0	695
Revaluation reserves	0	0	-10 536	0

32. Transactions with related parties

The Parent Entity identifies the following related entities:

- Parent entities:
  - the ultimate parent entity – Raiffeisen Regional Banks (are parties to the RBI Consortium Agreement).
  - parent entity – Raiffeisen Bank International AG (RBI).
- The Parent Entity's consolidated subsidiaries:

  – Raiffeisen-Leasing Polska S.A., Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen-Leasing Service Sp. z o.o., Raiffeisen-Leasing Real Estate Sp z o.o (subsidiaries until 31 March 2016)

Other notes (cont.)

- Raiffeisen Financial Services Polska Sp. z o.o., Raiffeisen Solutions Sp z o.o, Raiffeisen Investment Polska Sp. z o.o.; Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.

- the Parent Entity's subsidiary not consolidated - Leasing Poland Sp. z o.o.
- Members of the Parent Entity's key personnel and the key personnel of the parent entities,
- Other entities - other related entities – entities controlled by the parent entities and subsidiaries, as well as entities having significant influence on Raiffeisen Zentralbank Österreich AG,
- Special purpose entity ROOF Poland Leasing 2014 DAC (subsidiaries until 31 March 2016).

As a part of ordinary operations, a number of transactions were concluded with members of the Parent Entity's key personnel. The Parent Entity's key personnel include members of the Bank's Management Board and members of the Parent Entity's Supervisory Board, listed in note 1 to the interim condensed consolidated financial statements. Transactions with members of the Parent Entity's key personnel comprise mainly loans, deposits and foreign currency transactions.

Transactions with the Bank's parent entity comprised transactions aimed at providing financing for the Bank's operations (mainly interbank deposits, loans received and subordinated loans) and closing of open positions resulting from derivative transactions. As a result, interest expenses, net income from financial instruments and general administrative expenses were recognized in the consolidated statement of profit or loss.

Other notes (cont.)

Consolidated statement of financial position items	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Amounts due from banks	55 771	146 551	0	0	1 736	13 343
Derivative financial instruments - assets	251 015	277 752	0	0	175	506
Loans and advances to customers	0	0	1 634	1 749	0	0
Other assets	95	95	0	0	11	1 325
Amounts due to banks and other monetary institutions	5 362 251	5 368 872	0	0	1 691 152	1 764 593
Derivative financial instruments - liabilities	966 487	1 477 686	0	0	2 433	2 009
Amounts due to customers	0	0	5 203	5 430	18 131	15 848
Subordinated liabilities	316 748	332 096	0	0	0	0
Other liabilities	15 844	26 383	0	0	378	580
Provision for liabilities and charges	2 348	2 407	8 400	8 400	0	1

Consolidated statement of profit or loss items	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016	For the financial period from 1 January 2017 to 31 March 2017	For the financial period from 1 January 2016 to 31 March 2016
Interest income	43 693	50 704	6	11	51	48
Interest expense	-17 803	-40 097	-13	-13	-5 656	-7 344
Fee and commission income	289	213	1	1	926	681
Fee and commission expenses	-228	-130	0	0	-600	-432
Net income from financial assets measured at fair value through profit or loss and net foreign exchange result	480 814	113 912	0	1	-558	-2 193
Result on sale of discontinued operations	0	33 751	0	0	0	0
General administrative expenses	-10 413	-2 869	-3 120	-3 643	-840	-1 217
Other operating income	0	0	0	27	756	45
Other operating expenses	0	0	0	0	0	-54

Other notes (cont.)

Contingent liabilities and assets	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Guarantees and letters of credit	121 227	109 315	0	0	37 267	38 293
Guarantees received	91 778	77 483	0	0	14 845	13 422

Statement of financial position items	Parent Entities	Members of the Group's and the Parent Entities' key personnel	Other related entities
	31 March 2016	31 March 2016	31 March 2016
Amounts due from banks	804 031	0	8 750
Derivative financial instruments - assets	574 983	0	76
Loans and advances	0	2 241	118 819
Other assets	695 000	0	127
Amounts due to banks and other monetary institutions	5 035 033	0	1 723 571
Derivative financial instruments - liabilities	1 363 531	0	1 158
Amounts due to customers	0	4 615	221 267
Subordinated liabilities	725 949	0	0
Other liabilities	2 504	0	6 640
Provision for liabilities and charges	2 877	2 090	0

Contingent liabilities and assets	Parent Companies	Members of the Group's and the Parent Entities' key personnel	Other related entities
	31 March 2016	31 March 2016	31 March 2016
Guarantees and letters of credit	139 837	0	26 667
Financial liabilities granted	0	0	49 327
Guarantees received	169 066	0	155 804

Other notes (cont.)

33. Seasonality and business cycles

In the Group's activity there were no significant events which are cyclical or subject to seasonal changes.

34. Events after reporting date

Optimization program for the years 2017 - 2019

On 10 April 2017 the Management Board of the Bank announced the decision to perform digital evolution of the Bank and optimization program for the years 2017 – 2019. The superior goal of this program is to improve Bank's profitability, achieve cost to income ratio of 55% starting from the year 2019 and adjust Bank's business model to market challenges. In connection to this program the Management Board decided to close 60 - 70 branches by the year 2018 and to transform further up to 90 branches into more cost effective units. In order to perform digital transformation and improve clients' satisfaction the Bank plans to start investment program of PLN 100 million in the following two years, implementing initiatives aiming at automation and digitalization of sale and services in all activity segments. In addition, to improve operational and cost effectiveness, the Management Board plans to reduce employment by 850 – 950 fte by the year 2019 and introduction of other saving initiatives, including continuation of migrating of operational functions to low cost operation center, improvement of supporting functions and better management of the expenditures.

In the second quarter of 2017 the Group recognized expenses of PLN 45.5 million relating to employment reduction and branches closures being a part of optimization program described above.

Changes in the Management Board

On 18 April 2017, the Bank's Supervisory Board passed a resolution appointing Werner Georg Mayer as a member of the Management Board supervising the management of operations area and IT with subject to approval of the Polish Financial Supervision Authority (PFSA), if such approval is necessary. In case of absence of the necessity to obtain consent of the PFSA to appoint Werner Georg Mayer as a member of the Management Board in the above described scope, the Supervisory Board of the Bank will pass an unconditional resolution on this subject, but not later than on 31 May 2017.

No other events having significant influence on the Raiffeisen Bank Polska S.A. interim condensed financial statements have occurred after the reporting date.

Risk management

35. The nature and scope of risk associated with financial instruments

In its activity, the Group follows an active approach to risk management, involving its identification, measurement, monitoring and mitigating. The Group follows the principle that an effective risk management and control system is based on three well-adjusted elements:

- the organizational structure, comprising a segregation of duties and competencies, including a clear indication of functions performed by specific organizational units in the risk management and control process,
- the methods for monitoring, measurement and estimation of risk, which are necessary for the Bank to correctly identify the risks undertaken,
- actions focused on using modern techniques for hedging and transferring risks in order to adjust the type and profile of the risks undertaken by the Group to the risk appetite described in the adopted strategic plans.

Risk management procedures were consistent with procedures described in the consolidated financial statements for the year ended 31 December 2016.

Capital management process

The main objective of capital management process is to maintain stable capital adequacy in the long term by ensuring a proper process of identification, measurement, monitoring, mitigation and capital risk reporting.

Regulatory requirements in respect of capital adequacy is total capital ratio defined in article 92 par. 1 point c of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013.

Moreover the Group is obliged to maintain an additional requirements in respect of own funds:

- based on article 138 par. 1 point 2a The Banking Law Act:

1) since October 2015 the Group is obliged by Financial Supervision Authority to maintain an additional capital adequacy equal to 2.08 p.p to cover risk resulting from portfolio of currency mortgage loans; in October 2016 as a result of review of the process the Group received a decision updating the amount of requirement - currently capital requirement amounts to 2.56 p.p;

- based on article 19 in relation to article 84 the act on macro-prudential supervision over the financial system and crisis management in financial system:

Risk management (cont.)

2) since January 2016 the Group is obliged to maintain additional equity amount of safety buffer amounted to 1.25 p.p:

- based on article 39 par.1 in relation to article 38 par.1 and 2 the act on macro-prudential supervision over the financial system and crisis management in financial system:

3) The Bank was identified by Financial Supervision Authority as other institution of system relevance and as a result since August 2016 the Group was imposed with a buffer amounted to 0.25 p.p.

Therefore the minimal level of total capital ratio should not be lower than:

	Requirements regulation	Supervision recommendation
The minimum for the tolal capital adequancy	8,00%	12,00%
Cover risk resulting from portfolio of currency mortgage loans	2,56%	2,56%
The sufety buffer	1,25%	1,25%
The buffer other institution of system relevance	0,25%	0,25%
The total capital adequency (%)	**12,06%**	**16,06%**

The amounts of regulatory capital and capital requirement determined for the purposes of calculating the total capital ratio were as follows:

	Method of calculating the requirement	31 March 2017	31 December 2016	31 March 2016
Credit and counterparty risk	Standard	2 755 627	2 613 173	2 657 311
Market risk	Standard	16 736	44 066	43 088
Operational risk	Standard	258 855	271 001	271 001
Regulatory capital requirement		**3 031 217**	**2 928 240**	**2 971 401**
Own funds		**6 261 774**	**6 111 419**	**5 925 287**
Total capital ratio (%)		**16,53**	**16,70**	**15,95**

The main source of own funds to cover the capital requirements is Tier I capital (core capital), which is supplemented with subordinated liabilities (Tier II capital). Tier I capital amounted to PLN 6 041 714 thousand as at 31 March 2017, (PLN 5 875 197 as at 31 December 2016) and Tier II capital amounted to PLN 220 060 thousand, (PLN 248 840 as at 31 December 2016).

In the first quarter of 2017 the Bank received recommendations from Polish Financial Supervision Authority (PFSA) relating to conversion factors (CCF) of 0% used by the Bank to off-balance commitments. In the PFSA opinion, provisions of “Rules of the loans services delivery by Raiffeisen Bank Polska S.A.” (Rules) and provisions of loans agreements did not clearly indicated that conditions from Appendix I point 4 of the Regulation No 575/2013 of the European Parliament and of the Council (CRR) are met, i.e.:

- ability to unconditionally cancel limit at any time without notice of termination, or

- ability in the factual way to automatically cancel unused liabilities due to worsening credibility.

Risk management (cont.)

The Group decided to introduce change of the 0% CCF to higher factors, defined in the CRR rules, starting from 31 March 2017.

As at 31 December 2016 the CCF 0% was used, usage of higher conversion factors, other than 0% CCF, would generate risk exposure of around PLN 2.6 billion, lowering total capital ratio by 1.1 b.p., compared to total capital ratio as at 31 December 2016 presented in the table above.

From 1 January 2016 to 30 March 2016 the Group did not comply with the requirement of the minimal total capital ratio resulting from supervisory recommendation (taking into account additional capital requirement to cover risk resulting from currency mortgage loans). The Group has undertaken actions to keep capital ratio at the required level. Starting from 31 March 2016 the Group complies with the regulatory requirements, and supervision requirements.

36. Credit risk

Credit risk is the possibility of incurring a loss due to a debtor not meeting the liabilities the Group.

The aim of credit risk management is to increase the safety of the Group's lending activity by ensuring the highest quality of credit risk assessments and effectiveness of the decision-making process, as well as an effective credit exposure monitoring with regard to individual customers and the Group's loan portfolio.

The Group's exposure to credit risk arises mainly from its lending activity and, to a lesser extent, from the sales and operations on the trading portfolio, derivative instruments and participation in payment transactions and settlements of securities on the Group's own account and its customer's account.

For the period covered by these interim condensed consolidated financial statements there were no significant changes in the credit risk management.

Risk management (cont.)

As at 31 March 2017	Financial assets presented in the consoldiated statement of financial position							
Classes of maximum exposure with instrument types assigned to them	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	**Total**
Cash and cash equivalents	**0**	**682 779**	**0**	**0**	**0**	**0**	**0**	**682 779**
Exposures to governments and central banks	**0**	**937 698**	**5 291 128**	**1**	**8 060 332**	**0**	**0**	**14 289 159**
Cash and balances with the Central Bank	0	937 698	0	0	0	0	0	937 698
Treasury bonds and bills	0	0	392 338	0	8 060 332	0	0	8 452 670
NBP bills	0	0	4 898 790	0	0	0	0	4 898 790
Derivative financial instruments	0	0	0	1	0	0	0	1
Exposures to banks	**186 301**	**0**	**357 937**	**266 464**	**150 663**	**0**	**0**	**961 365**
Cash on current and term accounts with other banks	149 611	0	0	0	0	0	0	149 611
Loans and advances granted to other banks	36 690	0	0	0	0	0	0	36 690
Derivative financial instruments	0	0	0	266 464	0	0	0	266 464
Other financial institutions bonds	0	0	355 310	0	150 663	0	0	505 973
Corporate bonds	0	0	100	0	0	0	0	100
Mortgage backed bonds	0	0	2 527	0	0	0	0	2 527
Exposures to customers	**0**	**0**	**46 384**	**140 096**	**336 317**	**33 382 463**	**0**	**33 905 260**
Loans and advances granted to individuals	0	0	0	0	0	18 856 740	0	18 856 740
Loans and advances granted to micro customers	0	0	0	0	0	2 492 698	0	2 492 698
Loans and advances granted to large enterprises	0	0	0	0	0	10 666 377	0	10 666 377
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 279 558	0	1 279 558
Loans and advances granted to public sector entities	0	0	0	0	0	87 090	0	87 090
Equity investments available for sale	0	0	0	0	61 412	0	0	61 412
Derivative financial instruments	0	0	0	140 096	0	0	0	140 096
Corporate bonds	0	0	46 384	0	274 905	0	0	321 289
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**173 438**	**173 438**
Total	**186 301**	**1 620 477**	**5 695 449**	**406 561**	**8 547 312**	**33 382 463**	**173 438**	**50 012 001**

Risk management (cont.)

As at 31 December 2016 Classes of maximum exposure with instrument types assigned to them	Financial assets presented in the consolidated statement of financial position Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
Cash and cash equivalents	**0**	**667 808**	**0**	**0**	**0**	**0**	**0**	**667 808**
Exposures to governments and central banks	**0**	**1 064 061**	**7 765 694**	**317**	**7 608 519**	**0**	**0**	**16 438 591**
Cash and balances with the Central Bank	0	1 064 061	0	0	0	0	0	1 064 061
Treasury bonds and bills	0	0	371 779	0	7 608 519	0	0	7 980 298
NBP bills	0	0	7 393 915	0	0	0	0	7 393 915
Derivative financial instruments	0	0	0	317	0	0	0	317
Exposures to banks	**334 563**	**0**	**8 831**	**283 186**	**0**	**0**	**0**	**626 580**
Cash on current and term accounts with other banks	292 234	0	0	0	0	0	0	292 234
Loans and advances granted to other banks	42 329	0	0	0	0	0	0	42 329
Derivative financial instruments	0	0	0	283 186	0	0	0	283 186
Corporate bonds	0	0	5 408	0	0	0	0	5 408
Mortgage backed bonds	0	0	3 423	0	0	0	0	3 423
Exposures to customers	**0**	**0**	**272 817**	**183 206**	**354 036**	**33 864 497**	**0**	**34 674 556**
Loans and advances granted to individuals	0	0	0	0	0	19 631 840	0	19 631 840
Loans and advances granted to micro customers	0	0	0	0	0	2 491 608	0	2 491 608
Loans and advances granted to large enterprises	0	0	0	0	0	10 342 216	0	10 342 216
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 311 710	0	1 311 710
Loans and advances granted to public sector entities	0	0	0	0	0	87 123	0	87 123
Equity investments available for sale	0	0	0	0	60 141	0	0	60 141
Derivative financial instruments	0	0	0	183 206	0	0	0	183 206
Corporate bonds	0	0	272 817	0	293 895	0	0	566 712
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**180 732**	**180 732**
Total	**334 563**	**1 731 869**	**8 047 342**	**466 709**	**7 962 555**	**33 864 497**	**180 732**	**52 588 267**

Risk management (cont.)

As at 31 March 2016	Financial assets presented in the consolidated statement of financial position							
Classes of maximum exposure with instrument types assigned to them	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
Cash and cash equivalents	**0**	**723 232**	**0**	**0**	**0**	**0**	**0**	**723 232**
Exposures to governments and central banks	**0**	**368 988**	**8 244 937**	**0**	**5 599 207**	**0**	**0**	**14 213 132**
Cash and balances with the Central Bank	0	368 988	0	0	0	0	0	368 988
Treasury bonds and bills	0	0	394 937	0	5 599 207	0	0	5 994 144
NBP bills	0	0	7 850 000	0	0	0	0	7 850 000
Exposures to banks	**995 186**	**0**	**38 190**	**633 131**	**15 665**	**0**	**0**	**1 682 172**
Cash on current and term accounts with other banks	942 143	0	0	0	0	0	0	942 143
Loans and advances granted to other banks	53 043	0	0	0	0	0	0	53 043
Derivative financial instruments	0	0	0	633 131	0	0	0	633 131
Corporate bonds	0	0	29 158	0	15 665	0	0	44 823
Mortgage backed bonds	0	0	9 032	0	0	0	0	9 032
Exposures to customers	**0**	**0**	**28 468**	**178 259**	**407 967**	**33 770 164**	**0**	**34 384 857**
Loans and advances granted to individuals	0	0	0	0	0	19 097 637	0	19 097 637
Loans and advances granted to micro customers	0	0	0	0	0	2 434 757	0	2 434 757
Loans and advances granted to large enterprises	0	0	0	0	0	10 931 395	0	10 931 395
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 286 373	0	1 286 373
Loans and advances granted to public sector entities	0	0	0	0	0	20 002	0	20 002
Equity investments available for sale	0	0	0	0	95 577	0	0	95 577
Derivative financial instruments	0	0	0	178 259	0	0	0	178 259
Corporate bonds	0	0	28 468	0	312 390	0	0	340 858
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**846 055**	**846 055**
Total	**995 186**	**1 092 220**	**8 311 595**	**811 390**	**6 022 839**	**33 770 164**	**846 055**	**51 849 448**

Maximum exposure to credit risk for off-balance sheet items amounted to:	31 March 2017	31 December 2016	31 March 2016
Guarantees	1 913 083	1 928 262	1 801 714
Granted loan commitments	6 933 182	7 129 960	7 658 535
Total	**8 846 265**	**9 058 222**	**9 460 248**

Risk management (cont.)

Loan exposures to banks and customers as well as other financial assets presented in the consolidated statement of financial position are regularly tested for impairment (on an individual or collective basis). For the purpose of disclosure they are classified into one of the three categories of receivables: unimpaired not-overdue, unimpaired overdue and impaired. The above mentioned assets are presented in the following table by the gross value and by the customer sectors:

	Exposure amount			
As at 31 March 2017	**Analysed on an individual basis**	**Analysed on a collective basis**	**Total**	**Value of collateral reducing the maximum exposure to credit risk**
Not overdue receivables without identified impairment	**173 438**	**31 639 757**	**31 813 195**	**15 337 534**
Amounts due from Central Bank and other banks	0	1 120 674	1 120 674	27 466
Individual customers	0	17 011 209	17 011 209	9 118 967
Micro customers	0	1 921 903	1 921 903	1 107 518
Large enterprises	0	10 246 155	10 246 155	4 484 742
Small and medium enterprises	0	1 252 285	1 252 285	598 841
Public sector	0	87 531	87 531	0
Other financial assets	173 438	0	173 438	0
Overdue receivables without identified impairment	**6 321**	**1 852 662**	**1 858 983**	**871 526**
Amounts due from Central Bank and other banks	0	1	1	0
Individual customers	6 321	1 502 938	1 509 259	687 243
Micro customers	0	203 845	203 845	141 440
Large enterprises	0	127 843	127 843	40 733
Small and medium enterprises	0	18 035	18 035	2 110
Receivables with identified impairment	**1 005 795**	**1 728 188**	**2 733 983**	**1 051 046**
Amounts due from Central Bank and other banks	3 361	0	3 361	3 348
Individual customers	21 872	1 011 309	1 033 181	346 473
Micro customers	31 704	716 879	748 583	350 651
Large enterprises	876 776	0	876 776	337 414
Small and medium enterprises	62 911	0	62 911	13 160
Other financial assets	9 171	0	9 171	0
Total financial assets, gross	**1 185 554**	**35 220 607**	**36 406 161**	**17 260 106**
Impairment allowances on amounts due from Central Bank and other banks	**29**	**8**	**37**	**0**
Impairment allowances on loans and advances	**597 959**	**1 119 094**	**1 717 053**	**0**
Impairment allowances on other financial assets	**9 171**	**0**	**9 171**	**0**
Total financial assets, net	**578 395**	**34 101 505**	**34 679 900**	**17 260 106**

Risk management (cont.)

As at 31 December 2016	Exposure amount			
	Analysed on an individual basis	**Analysed on a collective basis**	**Total**	**Value of collateral reducing the maximum exposure to credit risk**
Not overdue receivables without identified impairment	**189 990**	**32 273 900**	**32 463 890**	**15 489 393**
Amounts due from Central Bank and other banks	0	1 395 205	1 395 205	31 041
Individual customers	9 258	17 655 503	17 664 761	9 305 900
Micro customers	0	1 961 456	1 961 456	1 151 691
Large enterprises	0	9 883 698	9 883 698	4 404 196
Small and medium enterprises	0	1 290 466	1 290 466	596 565
Public sector	0	87 572	87 572	0
Other financial assets	180 732	0	180 732	0
Overdue receivables without identified impairment	**8 991**	**1 874 702**	**1 883 693**	**917 341**
Amounts due from Central Bank and other banks	0	17	17	0
Individual customers	1 259	1 621 170	1 622 429	732 899
Micro customers	0	151 865	151 865	102 397
Large enterprises	7 732	88 995	96 727	71 180
Small and medium enterprises	0	12 655	12 655	10 865
Receivables with identified impairment	**1 104 135**	**1 723 002**	**2 827 137**	**1 144 455**
Amounts due from Central Bank and other banks	3 502	0	3 502	0
Individual customers	28 940	1 006 850	1 035 790	355 566
Micro customers	31 030	716 152	747 182	363 311
Large enterprises	971 942	0	971 942	412 993
Small and medium enterprises	55 254	0	55 254	12 585
Other financial assets	13 467	0	13 467	0
Total financial assets, gross	**1 303 116**	**35 871 604**	**37 174 720**	**17 551 189**
Impairment allowances on amounts due from Central Bank and other banks	**60**	**40**	**100**	**0**
Impairment allowances on loans and advances	**621 072**	**1 096 228**	**1 717 300**	**0**
Impairment allowances on other financial assets	**13 467**	**0**	**13 467**	**0**
Total financial assets, net	**668 517**	**34 775 336**	**35 443 853**	**17 551 189**

Risk management (cont.)

As at 31 March 2016	Exposure amount			
	Analysed on an individual basis	Analysed on a collective basis	Total	Value of collateral reducing the maximum exposure to credit risk
Not overdue receivables without identified impairment	**850 685**	**32 247 888**	**33 098 573**	**14 964 179**
Amounts due from Central Bank and other banks	0	1 364 292	1 364 292	25 791
Individual customers	2 597	17 281 617	17 284 214	9 301 573
Micro customers	2 033	1 854 526	1 856 559	1 108 464
Large enterprises	0	10 458 433	10 458 433	3 985 542
Small and medium enterprises	0	1 268 927	1 268 927	542 809
Public sector	0	20 094	20 094	0
Other financial assets	846 055	0	846 055	0
Overdue receivables without identified impairment	**9 081**	**1 772 854**	**1 781 935**	**910 097**
Amounts due from Central Bank and other banks	0	13	13	0
Individual customers	7 395	1 474 604	1 481 999	697 756
Micro customers	1 686	204 279	205 965	141 639
Large enterprises	0	79 449	79 449	64 618
Small and medium enterprises	0	14 509	14 509	6 084
Receivables with identified impairment	**1 342 183**	**1 569 066**	**2 911 249**	**956 251**
Individual customers	37 774	907 099	944 873	345 589
Micro customers	44 575	661 967	706 542	348 318
Large enterprises	1 205 772	0	1 205 772	255 941
Small and medium enterprises	48 678	0	48 678	6 403
Other financial assets	5 384	0	5 384	0
Total financial assets, gross	**2 201 949**	**35 589 808**	**37 791 757**	**16 830 527**
Impairment allowances on amounts due from Central Bank and other banks	**0**	**131**	**131**	**0**
Impairment allowances on amounts due from Central Bank and other banks	**825 558**	**980 292**	**1 805 850**	**0**
Impairment allowances on loans and advances	**5 384**	**0**	**5 384**	**0**
Total financial assets, net	**1 371 007**	**34 609 385**	**35 980 392**	**16 830 527**

Risk management (cont.)

The ageing analysis of overdue assets without identified impairment is presented in the following table:

31 March 2017	**Past due for**					
Past due financial receivables without identified impairment	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	**Total**
Gross loans and advances - past due but not impaired	**1 281 283**	**491 936**	**21 984**	**5 107**	**58 673**	**1 858 983**
Amounts due from Central Bank and other banks	1	0	0	0	0	**1**
Individual customers	1 143 307	359 222	704	1 248	4 778	**1 509 259**
Micro customers	127 687	75 706	216	52	184	**203 845**
Large enterprises	798	53 873	20 873	2 305	49 994	**127 843**
Small and medium enterprises	9 490	3 135	191	1 502	3 717	**18 035**
Total	**1 281 283**	**491 936**	**21 984**	**5 107**	**58 673**	**1 858 983**

31 December 2016	**Past due for**					
Past due financial receivables without identified impairment	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	**Total**
Gross loans and advances - past due but not impaired	**1 383 144**	**427 037**	**3 501**	**3 223**	**66 788**	**1 883 693**
Amounts due from Central Bank and other banks	0	0	0	0	17	**17**
Individual customers	1 268 951	346 757	235	1 270	5 216	**1 622 429**
Micro customers	93 753	57 851	23	54	184	**151 865**
Large enterprises	15 638	21 564	139	1 850	57 536	**96 727**
Small and medium enterprises	4 802	865	3 104	49	3 835	**12 655**
Total	**1 383 144**	**427 037**	**3 501**	**3 223**	**66 788**	**1 883 693**

31 March 2016	**Past due for**					
Past due financial receivables without identified impairment	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	**Total**
Gross loans and advances - overdue but not impaired	**1 313 871**	**387 913**	**36 779**	**2 753**	**40 619**	**1 781 935**
Amounts due from Central Bank and other banks	0	0	0	0	13	**13**
Individual customers	1 149 899	318 421	6 597	1 525	5 557	**1 481 999**
Micro customers	139 680	66 029	34	34	188	**205 965**
Large enterprises	17 346	1 550	28 545	334	31 674	**79 449**
Small and medium enterprises	6 946	1 913	1 603	860	3 187	**14 509**
Total	**1 313 871**	**387 913**	**36 779**	**2 753**	**40 619**	**1 781 935**

Risk management (cont.)

Forbearance" Practices

In the first quarter of 2017 there were no significant changes in respect of identification and presentation of forborne exposures.

Forborne exposures				
31 March 2017	**Gross value**	**Impairment allowance**	**Net value**	**Value of received collateral**
Not impaired exposures	**731 329**	**17 816**	**713 513**	**545 172**
Non past due	**441 173**	**5 697**	**435 476**	**338 035**
Individual customers	221 838	1 322	220 516	123 512
Micro customers	98 053	543	97 510	93 929
Large enterprises	115 320	3 483	111 837	115 309
Small and medium enterprises	5 962	349	5 613	5 285
Past due	**290 156**	**12 119**	**278 037**	**207 137**
Individual customers	179 624	6 212	173 412	99 909
Micro customers	54 776	2 054	52 722	51 473
Large enterprises	51 989	3 593	48 396	51 988
Small and medium enterprises	3 767	260	3 507	3 767
Impaired exposuers	**936 665**	**509 553**	**427 112**	**431 854**
Collective basis	**344 408**	**171 113**	**173 295**	**178 050**
Individual customers	174 414	97 117	77 297	76 136
Micro customers	169 994	73 996	95 998	101 914
Individual basis	**592 257**	**338 440**	**253 817**	**253 804**
Individual customers	15 303	8 748	6 555	6 555
Micro customers	16 260	10 113	6 147	6 147
Large enterprises	550 119	311 199	238 920	238 909
Small and medium enterprises	10 575	8 380	2 195	2 193
Total	**1 667 994**	**527 369**	**1 140 625**	**977 026**

Risk management (cont.)

Forborne exposures				
31 December 2016	**Gross value**	**Impairment allowance**	**Net value**	**Value of received collateral**
Not impaired exposures	**809 570**	**18 596**	**790 974**	**587 725**
Non past due	**513 232**	**6 499**	**506 733**	**386 679**
Individual customers	265 713	1 317	264 396	145 678
Micro customers	112 146	633	111 513	106 080
Large enterprises	132 398	4 370	128 028	132 342
Small and medium enterprises	2 975	179	2 796	2 579
Past due	**296 338**	**12 097**	**284 241**	**201 046**
Individual customers	182 560	5 683	176 877	94 202
Micro customers	55 802	2 408	53 394	49 023
Large enterprises	53 708	3 711	49 997	53 708
Small and medium enterprises	4 268	295	3 973	4 113
Impaired exposuers	**932 106**	**512 060**	**420 046**	**422 208**
Collective basis	**341 804**	**166 114**	**175 690**	**180 500**
Individual customers	172 711	96 030	76 681	74 374
Micro customers	169 093	70 084	99 009	106 126
Individual basis	**590 302**	**345 946**	**244 356**	**241 708**
Individual customers	21 764	9 763	12 001	10 055
Micro customers	15 336	10 011	5 325	4 701
Large enterprises	543 763	319 577	224 186	224 108
Small and medium enterprises	9 439	6 595	2 844	2 844
Total	**1 741 676**	**530 656**	**1 211 020**	**1 009 933**

Risk management (cont.)

Forborne exposures

31 March 2016	Gross value	Impairment allowance	Net value	Value of received collateral
Not impaired exposures	**942 305**	**24 659**	**917 645**	**555 278**
Non past due	**654 605**	**13 583**	**641 022**	**378 694**
Individual customers	260 668	1 426	259 242	127 076
Micro customers	124 732	552	124 180	82 754
Large enterprises	262 964	11 240	251 724	164 313
Small and medium enterprises	6 241	365	5 876	4 551
Past due	**287 699**	**11 076**	**276 623**	**176 583**
Individual customers	165 200	5 270	159 930	81 724
Micro customers	71 570	2 312	69 258	44 859
Large enterprises	47 928	3 288	44 640	47 928
Small and medium enterprises	3 001	206	2 795	2 072
Impaired exposuers	**1 026 084**	**534 406**	**491 678**	**374 143**
Collective basis	**293 183**	**139 540**	**153 643**	**146 621**
Individual customers	149 322	78 636	70 686	66 349
Micro customers	143 860	60 904	82 956	80 272
Small and medium enterprises	732 901	394 866	338 035	227 521
Individual basis	**30 638**	**15 689**	**14 949**	**13 153**
Individual customers	24 401	13 578	10 824	10 031
Micro customers	669 215	359 232	309 983	202 059
Large enterprises	8 647	6 367	2 279	2 279
Total	**1 968 388**	**559 065**	**1 409 323**	**929 420**

Risk management (cont.)

Forborne exposures - gross		Past due					
31 March 2017	Not past due	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	Total
Not impaired exposures	**441 173**	**128 323**	**107 248**	**12 100**	**506**	**41 979**	**731 329**
Individual customers	221 838	104 325	75 192	0	0	108	401 463
Micro customers	98 053	23 998	30 778	0	0	0	152 829
Large enterprises	115 320	0	208	11 939	0	39 841	167 308
Small and medium enterprises	5 962	0	1 070	161	506	2 030	9 729
Impaired exposuers	**255 094**	**57 503**	**25 981**	**45 640**	**34 864**	**517 583**	**936 665**
Individual customers	8 473	7 918	16 867	20 158	20 404	115 897	189 717
Micro customers	3 079	3 410	6 912	8 543	14 310	150 000	186 254
Large enterprises	243 005	46 175	1 253	16 939	115	242 632	550 119
Small and medium enterprises	537	0	949	0	35	9 054	10 575
Total	**696 267**	**185 826**	**133 229**	**57 740**	**35 370**	**559 562**	**1 667 994**

Forborne exposures - gross		Past due					
31 December 2016	Not past due	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	Total
Not impaired exposures	**513 233**	**150 682**	**100 036**	**1 989**	**0**	**43 630**	**809 570**
Individual customers	265 713	120 312	62 221	0	0	27	448 273
Micro customers	112 146	30 105	25 697	0	0	0	167 948
Large enterprises	132 399	265	12 118	0	0	41 325	186 107
Small and medium enterprises	2 975	0	0	1 989	0	2 278	7 242
Impaired exposuers	**315 321**	**10 899**	**35 643**	**37 347**	**29 368**	**503 528**	**932 106**
Individual customers	8 290	8 481	24 157	27 717	11 753	114 076	194 474
Micro customers	6 084	2 418	11 486	9 630	17 335	137 476	184 429
Large enterprises	300 335	0	0	0	0	243 429	543 764
Small and medium enterprises	612	0	0	0	280	8 547	9 439
Total	**828 554**	**161 581**	**135 679**	**39 336**	**29 368**	**547 158**	**1 741 676**

Forborne exposures - gross		Past due					
31 March 2016	Not past due	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	Total
Not impaired exposures	**654 605**	**142 965**	**87 908**	**33 147**	**930**	**22 749**	**942 305**
Individual customers	260 668	100 213	58 923	6 036	0	28	425 867
Micro customers	124 732	42 752	28 818	0	0	0	196 302
Large enterprises	262 964	0	0	26 879	272	20 777	310 893
Small and medium enterprises	6 241	0	167	233	658	1 944	9 242
Impaired exposuers	**397 603**	**26 541**	**35 712**	**28 220**	**50 863**	**487 143**	**1 026 084**
Individual customers	15 855	13 827	23 582	17 816	9 746	99 134	179 960
Micro customers	7 003	12 715	12 130	10 343	3 719	122 353	168 262
Large enterprises	374 247	0	0	1	36 743	258 224	669 215
Small and medium enterprises	499	0	0	61	655	7 432	8 647
Total	**1 052 209**	**169 506**	**123 620**	**61 368**	**51 793**	**509 893**	**1 968 388**

Risk management (cont.)

Concentration limits

In order to control credit portfolio risk in terms of expected and unexpected loss (capital and impairment allowance), the Group establishes credit risk concentration limits for internal control purposes as well as manages the exposure within those limits through regular monitoring.

For the period covered by these interim condensed consolidated financial statements the Group had no exposures exceeding any of the relevant concentration limits.

Retail mortgage loans denominated in foreign currencies

The CHF mortgage loans portfolio is a significant subject of credit risk management due to its value and share in the total loans portfolio of the Parent Entity. The share of loans denominated in CHF was equal to 33,59% of all loans of the Parent Entity as at the end of the first quarter of 2017, of which 31,67% concerned individual clients and 1,35% micro-enterprises.

The below table presents the carrying value of the mortgage loans portfolio of the Parent Entity analyzed by denomination currencies and sub-portfolios as at 31 March 2017 and 31 December 2016.

Loans for individuals and micro customers secured by mortgage by denomination currencies	31 March 2017		31 December 2016		31 March 2016	
	Gross amount	Share in portfolio	Gross amount	Share in portfolio	Gross amount	Share in portfolio
Individual customers						
PLN	2 003 926	11,4%	1 954 915	10,6%	1 814 924	10,0%
EUR	3 421 975	19,4%	3 657 369	19,8%	3 706 830	20,3%
CHF	10 907 217	61,8%	11 538 547	62,4%	11 378 638	62,5%
USD	5 315	0,0%	5 673	0,0%	5 337	0,0%
Total	**16 338 433**	**92,6%**	**17 156 504**	**92,8%**	**16 905 730**	**92,8%**
Micro customers						
PLN	840 978	4,8%	832 755	4,5%	786 908	4,3%
EUR	77 370	0,4%	84 461	0,5%	91 671	0,5%
CHF	378 425	2,2%	407 544	2,2%	432 501	2,4%
Total	**1 296 773**	**7,4%**	**1 324 760**	**7,2%**	**1 311 080**	**7,2%**
Total						
PLN	2 844 905	16,1%	2 787 670	15,1%	2 601 833	14,3%
EUR	3 499 345	19,9%	3 741 830	20,3%	3 798 501	20,9%
CHF	11 285 641	64,0%	11 946 091	64,6%	11 811 139	64,8%
USD	5 315	0,0%	5 673	0,0%	5337	0,0%
Total	**17 635 206**	**100,0%**	**18 481 264**	**100,0%**	**18 216 810**	**100,0%**

The table presents only retail loans (individuals and micro) and mortgages (loans arising from the restructuring and consolidation among others of mortgages have not been presented in the table above).

Risk management (cont.)

As at 31 March 2017 the value the impairment allowance on mortgage loans in CHF for infividual customers amounted to PLN 125 932 thousand and decreased by PLN 5 815 thousand compared to the end of the year 2016.

The average LTV weighted using exposure value on the portfolio of loans secured by mortgages denominated in foreign currencies at 31 March 2017 amounted to 120% % (as at 31 December 2016 123,4 %) .

The below table presents quality of mortgage loans portfolio analyzed by denomination currencies and sub-portfolios by past due days (DPD) as at 31 March 2017.

Gross loans for individuals and micro customers secured by mortgage by dpd (in PLN thous)	not overdue	Past due (DPD)			
		<1 - 90>	<91 - 180>	above 180	Total
Individual customers					
PLN	1 386 160	89 346	3 754	524 666	2 003 926
EUR	3 270 348	138 695	7 569	5 364	3 421 976
CHF	9 770 384	978 008	53 010	105 816	10 907 218
USD	5 315	0	0	0	5 315
Total	**14 432 207**	**1 206 049**	**64 333**	**635 846**	**16 338 435**
Micro customers					
PLN	539 063	45 962	3 798	252 155	840 978
EUR	72 200	4 665	207	297	77 369
CHF	331 309	40 919	2 892	3 304	378 424
Total	**942 572**	**91 546**	**6 897**	**255 756**	**1 296 771**
Total					
PLN	1 925 223	135 308	7 552	776 821	2 844 904
EUR	3 342 548	143 360	7 776	5 661	3 499 345
CHF	10 101 693	1 018 926	55 902	109 120	11 285 641
USD	5 315	0	0	0	5 315
Total	**15 374 779**	**1 297 594**	**71 230**	**891 602**	**17 635 205**

Proposals for systemic solutions with respect to the currency risk relate to portfolios denominated in CHF, presented by different state and supervisory agencies, may have a negative influence on the financial results and equity of the Parent Entity. The analysis of the draft impact on the consolidated financial statements of the Group could not be finalized at the moment of publication of these financial statements due to the significant differences in draft projects submitted for processing by the Parliament and being developed by the supervisory authorities.

Risk management (cont.)

37. Liquidity risk

The main purpose of the liquidity risk management process is to develop the structure of the statement of financial positions in the Group that allows it to achieve profit targets defined in the financial plan and, at the same time, maintain the Group's ability to timely settle its liabilities and comply with the both internal and external (regulatory) liquidity risk limits.

For the period covered by these interim condensed consolidated financial statements there were no significant changes in the liquidity risk management.

The following table presents future cash flows analysis of financial liabilities in the form of undiscounted cash flows:

31 March 2017			Contractual cash flows				
Type of liability	Nominal amount	Book value	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	Total
Liabilities in respect of derivative financial instruments	**981 208**	**1 119 351**	**122 230**	**147 014**	**452 882**	**25 501**	**747 627**
Inflows	18 208 689	-	10 133 722	3 086 980	5 472 529	21 074	**18 714 305**
Outflows	19 189 897	-	10 255 952	3 233 994	5 925 411	46 575	**19 461 932**
Financial liabilities	**42 886 487**	**42 892 430**	**33 626 099**	**5 144 375**	**4 359 491**	**272 852**	**43 402 817**
Amounts due to banks and other monetary institutions	7 340 697	7 340 697	779 799	2 432 656	4 192 547	0	**7 405 002**
including received loans	6 789 054	6 789 054	299 748	2 432 656	4 192 547	0	**6 924 951**
Amounts due to customers	34 327 831	34 327 831	32 479 005	2 187 843	25 102	295	**34 692 245**
Subordinated liabilities	316 470	316 748	3 281	9 842	138 575	236 833	**388 531**
Liabilities from issuance of debt securities	500 000	505 665	7 775	507 775	0	0	**515 550**
Other financial liabilities	401 489	401 489	356 239	6 259	3 267	35 724	**401 489**
Guarantee liabilities granted	**1 913 083**	**-**	**0**	**1 913 083**	**0**	**0**	**1 913 083**
Financial liabilities granted	**6 933 182**	**-**	**0**	**3 172 073**	**3 761 109**	**0**	**6 933 182**

Risk management (cont.)

31 December 2016							
			Contractual cash flows				
Type of liability	**Nominal amount**	**Book value**	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	**Total**
Liabilities in respect of derivative financial instruments	**1 422 184**	**1 546 166**	**266 970**	**147 255**	**590 338**	**7 899**	**1 012 462**
Inflows	25 708 321	-	13 554 018	3 091 540	9 413 096	375 199	**26 433 853**
Outflows	27 130 505	-	13 820 988	3 238 795	10 003 434	383 098	**27 446 315**
Financial liabilities	**45 026 974**	**45 040 801**	**34 995 784**	**5 164 379**	**5 575 265**	**283 597**	**46 019 025**
Amounts due to banks and other monetary institutions	7 426 757	7 433 406	304 025	2 293 250	5 344 063	0	**7 941 338**
including received loans	7 094 115	7 099 171	0	2 254 237	5 331 004	0	**7 585 241**
Amounts due to customers	36 324 355	36 329 411	34 297 908	2 345 517	63 505	340	**36 707 270**
Subordinated liabilities	331 804	332 096	3 373	10 120	146 119	251 197	**410 809**
Liabilities from issuance of debt securities	500 000	501 830	7 775	507 775	0	0	**515 550**
Other financial liabilities	444 058	444 058	382 703	7 717	21 578	32 060	**444 058**
Guarantee liabilities granted	**1 928 262**	**-**	**0**	**1 928 262**	**0**	**0**	**1 928 262**
Financial liabilities granted	**7 129 960**	**-**	**0**	**3 396 756**	**3 733 204**	**0**	**7 129 960**

31 March 2016							
			Contractual cash flows				
Type of liability	**Nominal amount**	**Carrying amount**	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	**Total**
Liabilities in respect of derivative financial instruments	**1 332 869**	**1 469 749**	**3 670**	**580 608**	**879 285**	**10 234**	**1 473 796**
Inflows	29 483 268	**-**	8 495	23 098 988	6 468 490	12 481	**29 588 454**
Outflows	30 816 136	**-**	12 165	23 679 596	7 347 775	22 715	**31 062 250**
Financial liabilities	**44 524 878**	**44 615 280**	**34 008 313**	**4 699 902**	**5 916 571**	**947 851**	**45 572 636**
Amounts due to banks and other monetary institutions	7 332 138	7 339 745	1 077 484	1 493 463	5 053 731	235 988	**7 860 665**
including received loans	6 771 080	6 775 837	565 406	1 376 459	5 041 082	235 988	**7 218 934**
Amounts due to customers	35 618 459	35 695 520	32 615 805	3 156 748	97 147	405	**35 870 106**
Subordinated liabilities	725 628	725 949	9 347	28 040	239 379	685 447	**962 211**
Liabilities from issuance of debt securities	500 000	505 690	7 750	7 750	515 500	0	**531 000**
Other financial liabilities	348 654	348 376	297 927	13 902	10 814	26 011	**348 654**
Guarantee liabilities granted	**1 801 714**	**-**	**0**	**1 801 714**	**0**	**0**	**1 801 714**
Financial liabilities granted	**7 658 535**	**-**	**0**	**3 567 384**	**4 091 151**	**0**	**7 658 535**

Risk management (cont.)

38. Other market risks

38.1. Market risk

Market risk is related to open positions on interest rate, foreign exchange and equity products exposed to changes in market values. For the purposes of determining risk limits, the Group uses simulation methods relying on the base point value and methods based on the net position value.

The market risk management process is subject to continuous assessment and evolution in order to adjust it to changing market conditions.

The management process comprises:

- identification of risk factors;
- risk measurement;
- risk monitoring;
- risk reporting.

38.2. Currency risk

Currency risk is a risk of changes in value of individual financial instruments due to fluctuations in foreign exchange rates. In connection with its activity, the Group is exposed to the effect of fluctuations in foreign exchange rates on its financial position and cash flows.

The main purpose of currency risk management is to identify areas prone to currency risk and take actions aimed at reducing the risk to an acceptable level.

For period covered by these interim condensed consolidated financial statements there were no significant changes in currency risk management.

The amount of currency risk borne by the Parent Entity, measured by VaR method is presented in the below table:

Value at risk limit	31 March 2017				31 December 2016	31 March 2016
	Min.	Max.	Average	As at 31 March 2017	As at 31 December 2016	As at 31 March 2016
Currency risk	14	183	66	56	84	130

Risk management (cont.)

38.3. Interest rate risk for cash flows and fair value

Interest rate risk results from the fact that the possible changes in market interest rates can affect future cash flows or the fair value of financial instruments held by the Group.

The main objectives of interest rate risk management include identification of the areas in which the Group is exposed to interest rate risk and structuring of balance sheet, so that the maximum net interest income can be achieved.

The Group's policy on interest rate risk management assumes the existence of a system of internal transfer prices within the Group, as part of which the business units do not incur interest rate risk on their own behalf, but transfer the risk to the units responsible for its central management.

For the period covered by these interim condensed consolidated financial statements there were no significant changes in the interest rate risk management.

The following table presents the level of the Parent Entity's exposure to interest rate risk, for the bank book and the trading book separately, measured in terms of the amount of the change in the fair value resulting from a 1 base point increase in market interest rates. The values in different maturity brackets are presented as absolute values in order to present the general level of exposure to interest rate risk, irrespective of the direction of a given position.

	31 March 2017				31 December2016				31 March 2016			
	Min.	Max.	Average	As at 31 March	Min.	Max.	Average	As at 31 December	Min.	Max.	Average	As at 31 March
Bank book												
<1Y	17	209	107	17	26	374	97	34	154	762	351	275
1 – 3Y	0	61	9	22	1	232	102	56	19	258	87	135
>3Y	23	51	35	50	17	30	24	27	35	62	57	50
Trading book												
<1Y	0	51	21	36	0	31	10	2	1	31	14	16
1 – 3Y	0	32	8	2	0	65	13	7	6	65	22	12
>3Y	0	185	43	25	0	81	28	16	0	81	31	3

The following table presents the level of the Parent Entity's exposure to interest rate risk, for the bank book and the trading book separately, measured using the value at risk, in accordance with the model parameters defined in the system of limits.

	31 March 2017				31 December 2016	31 March 2016
	Min.	Max.	Average	As at 31 March	As at 31 December	As at 31 March
Banking book	5 067	7 013	6 032	7 005	6 238	983
Trading book	226	947	484	503	474	301

Risk management (cont.)

38.4. Operational risk

Operational risk is defined as the risk of incurring a loss due to ill-adjusted or unreliable processes, people or systems, or due to external events. This definition includes legal risk, but it does not include strategic risk or reputation risk.

For the purposes of calculating the capital requirement for operational risk, the Group uses the Standardized Approach method, which determines both the method for calculating the capital requirement and the operational risk management process requirements.

The aim of the operational risk management is to increase the safety of the Group's operations by implementing effective mechanisms for the identification, assessment and quantification, mitigation, monitoring and reporting operational risk.

In period covered by these interim condensed consolidated financial statements there were no significant changes in the operational risk management.