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 2016 to 30 June 2016 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 2016 to 30 June 2016

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*
Ryszard Drużyński	Vice-President 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*
Marek Patuła	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, 17 August 2016

Table of contents

Table of contents (cont.)

Consolidated statement of profit or loss

	Note	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Continuing operations			
Interest income		782 882	821 329
Interest expense		-296 578	-351 967
Net interest income	6	**486 304**	**469 362**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	7	-54 917	-99 877
including Proceeds from sale of receivables and other		157	3 247
Fee and commission income		335 488	313 560
Fee and commission expense		-40 360	-46 646
Net fee and commission income	8	**295 128**	**266 914**
Net income from financial instruments measured at fair value and net foreign exchange result	9	109 708	22 657
General administrative expenses	10	-607 048	-572 568
Other operating income	11	7 368	17 991
Other operating expenses	11	-33 696	-8 448
Tax on financial institutions		-68 509	0
Profit before tax		**134 339**	**96 031**
Income tax expense	12	-64 573	-30 601
Net profit from continuing operations		**69 766**	**65 430**
Net profit from discontinued operations	13	**11 720**	**34 367**
Net profit		**81 486**	**99 797**
Profit attributable to the equity holders of the Parent Entity, including:		**81 486**	**99 797**
Profit from continuing operations		**69 766**	**65 430**
Profit from discontinued operations		**11 720**	**34 367**
Weighted average number of ordinary shares (in units)		248 260	248 260
Profit attributable to the Parent Entity equity holders per one ordinary share (in PLN)		328	402
Profit from continuing operations per ordinary share (in PLN)		281	264
Profit from discontinued operations per ordinary share (in PLN)		47	138
Weighted average number of diluted shares (in units)		248 260	248 260
Profit attributable to the Parent Entity equity holders per diluted share (in PLN)		328	402
Profit from continuing operations per diluted share (in PLN)		281	264
Profit from discontinued operations per diluted share (in PLN)		47	138

*See note 3

Notes presented on pages 12- 88 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Net profit from continuing operations	**69 766**	**65 430**
Net profit from discontinued operations	**11 720**	**34 367**
Other taxable income that may be reclassified to profit or loss, including:	**-26 346**	**6 306**
Valuation of cash-flow hedge derivatives, gross	19 536	7 002
Income tax on cash-flow hedge derivatives	-3 712	-1 330
Valuation of available for sale financial assets, gross	-52 062	783
Income tax on available for sale financial assets	9 892	-149
Total comprehensive income for the period	**55 140**	**106 103**
Total comprehensive income attributable to the Parent Entity shareholders	**55 140**	**106 103**

*See note 3

Notes presented on pages 12- 88 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of financial position

Assets	**Note**	**As at 30 June 2016**	**As at 31 December 2015**	**As at 30 June 2015**
Cash and balances with Central Bank	*14*	1 379 764	2 703 510	1 997 434
Amounts due from banks	*15*	333 536	1 326 350	1 866 466
Financial assets held for trading	*18*	8 883 562	12 570 410	8 845 666
Derivative financial instruments	*16*	589 985	562 046	564 447
Investment securities	*19*	7 547 891	3 841 655	2 985 234
Loans and advances to customers	*20*	34 308 462	39 206 125	40 825 882
Intangible assets	*21*	506 414	551 659	566 228
Property, plant and equipment	*22*	131 396	276 229	282 808
Deferred tax assets		88 190	559 285	481 053
Current tax receivables		0	2 173	1 859
Other assets	*23*	247 485	305 501	462 677
Total assets		**54 016 686**	**61 904 943**	**58 879 754**

Liabilities and equity	**Note**	**As at 30 June 2016**	**As at 31 December 2015**	**As at 30 June 2015**
Amounts due to banks and other monetary institutions	*24*	7 963 171	13 088 797	13 496 903
Derivative financial instruments	*16*	1 571 142	1 478 611	1 783 290
Amounts due to customers	*25*	36 522 027	37 762 146	35 155 411
Subordinated liabilities	*26*	332 187	724 789	314 862
Liabilities from debt securities issued	*27*	501 790	1 758 677	1 139 625
Other liabilities		491 387	430 018	522 396
Current tax liabilities		28 437	110 267	8 860
Provisions	28	162 089	162 323	200 757
Total liabilities		**47 572 231**	**55 515 628**	**52 622 104**
Equity attributable to shareholders of the Parent Entity		**6 444 455**	**6 389 315**	**6 257 650**
Share capital	*29*	2 256 683	2 256 683	2 256 683
Supplementary capital		2 287 790	2 370 746	2 370 745
Other capital and reserves	*29*	1 017 531	1 018 927	973 643
Retained earnings		882 451	742 959	656 580
Total equity		**6 444 455**	**6 389 315**	**6 257 650**
Total liabilities and equity		**54 016 686**	**61 904 943**	**58 879 754**

Notes presented on pages 12- 88 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity

					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	Non-controlling interests	Total equity
As at 1 January 2016		**2 256 683**	**2 370 746**	**1 018 927**	**556 781**	**186 178**	**6 389 315**	**0**	**6 389 315**
Valuation of available for sale financial assets, net		0	0	-42 170	0	0	-42 170	0	-42 170
Valuation of cash-flow hedge derivatives, net		0	0	15 824	0	0	15 824	0	15 824
Net profit for the current period		0	0	0	0	81 486	81 486	0	81 486
Total comprehensive income		**0**	**0**	**-26 347**	**0**	**81 486**	**55 140**	**0**	**55 140**
Transfer of net result to retained earnings		0	0	0	186 178	-186 178	0	0	0
Other		0	0	633	-633	0	0	0	0
Changes in the Group structure		0	-137 191	-682	137 873	0	0	0	0
Transactions with owners		**0**	**54 235**	**25 000**	**-79 234**	**0**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	25 000	-25 000	0	0	0	0
Transfer of net result to supplementary capital		0	54 235	0	-54 235	0	0	0	0
As at 30 June 2016	29	**2 256 683**	**2 287 790**	**1 017 531**	**800 965**	**81 486**	**6 444 455**	**0**	**6 444 455**

Notes presented on pages 12- 88 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	Non-controlling interests	Total equity
As at 1 January 2015		**2 256 683**	**2 357 406**	**947 287**	**252 459**	**337 680**	**6 151 515**	**59**	**6 151 573**
Valuation of available for sale financial assets, net		0	0	634	0	0	634	0	634
Valuation of cash-flow hedge derivatives, net		0	0	5 672	0	0	5 672	0	5 672
Net profit for the current period		0	0	0	0	99 797	99 797	0	99 797
Total comprehensive income		**0**	**0**	**6 306**	**0**	**99 797**	**106 102**	**0**	**106 103**
Transfer of net result to retained earnings		0	0	0	337 680	-337 680	0	0	0
Other		0	0	50	-16	0	33	-59	0
Transactions with owners		**0**	**13 339**	**20 000**	**-33 340**	**0**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	20 000	-20 000	0	0	0	0
Transfer of net result to statutory supplementary capital		0	13 339	0	-13 339	0	0	0	0
As at 30 June 2015	29	**2 256 683**	**2 370 745**	**973 643**	**556 783**	**99 797**	**6 257 650**	**0**	**6 257 650**

Notes presented on pages 12- 88 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 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Profit before tax	31	**189 495**	**140 412**
Adjustments:		**326 028**	**368 543**
Depreciation and amortization		60 919	72 960
Impairment of fixed assets		6 493	0
Unrealized foreign exchange differences		252 997	211 427
Gains on sale of discontinued operations		-33 751	0
Interest and dividend relating to investing and financing activities		37 706	108 023
(Gains)/loss on sale, liquidation of tangible and intangible fixed assets		8 596	-7 504
Other adjustments		-6 932	-16 364
Changes in operating assets and liabilities		**2 937 461**	**-8 517 147**
Interbank placements, loans and advances to other banks		849 204	-1 126 170
Financial assets held for trading		3 620 673	-8 568 246
Derivative financial instruments		-9 775	909 860
Loans and advances to customers		-1 272 323	-1 698 300
Other assets		-37 065	-107 178
Amounts due to banks and other monetary institutions		240 070	-958 332
Amounts due to customers		-908 729	2 705 865
Other liabilities		137 566	153 024
Provisions		10 865	-19 302
Income tax paid/received		-137 531	-73 708
Interest received		761 813	891 522
Interests paid		-317 306	-626 211
Net cash flow from operating activities		**3 452 985**	**-8 008 193**

*See note 3

Consolidated statement of cash flows (cont.)

Investing activities	***Note***	**For the financial period from 1 January 2016 to 30 June 2016**	**For the financial period from 1 January 2015 to 30 June 2015 restated ***
Proceeds from sale of investment securities		666 451	11 306 858
Proceeds from sale of property, plant and equipment and intangible fixed assets		333	10 971
Proceeds from sale of shares in subsidiaries		695 000	0
Purchase of investment securities		-4 370 199	-1 728 380
Purchase of property, plant and equipment and intangible fixed assets		-46 943	-19 855
Decrease in cash and cash equivalents due to changes in Group structure		-419 236	0
Net cash flow from investing activities		**-3 474 594**	**9 569 593**
Financing activities			
Inflows from subordinated liabilities and long-term bank loans		2 086 977	776 492
Outflows from repayment of subordinated liabilities and long-term bank loans		-3 513 830	-2 906 089
Outflows from repayment of interest on debt securities		-7 730	-13 635
Net cash flow from financing activities		**-1 434 583**	**-2 143 233**
Net decrease in cash and cash equivalents		**-1 456 192**	**-581 833**
Cash and cash equivalents at beginning of the period		2 913 206	2 813 558
Cash and cash equivalents at the end of the period	***31***	**1 457 014**	**2 231 725**

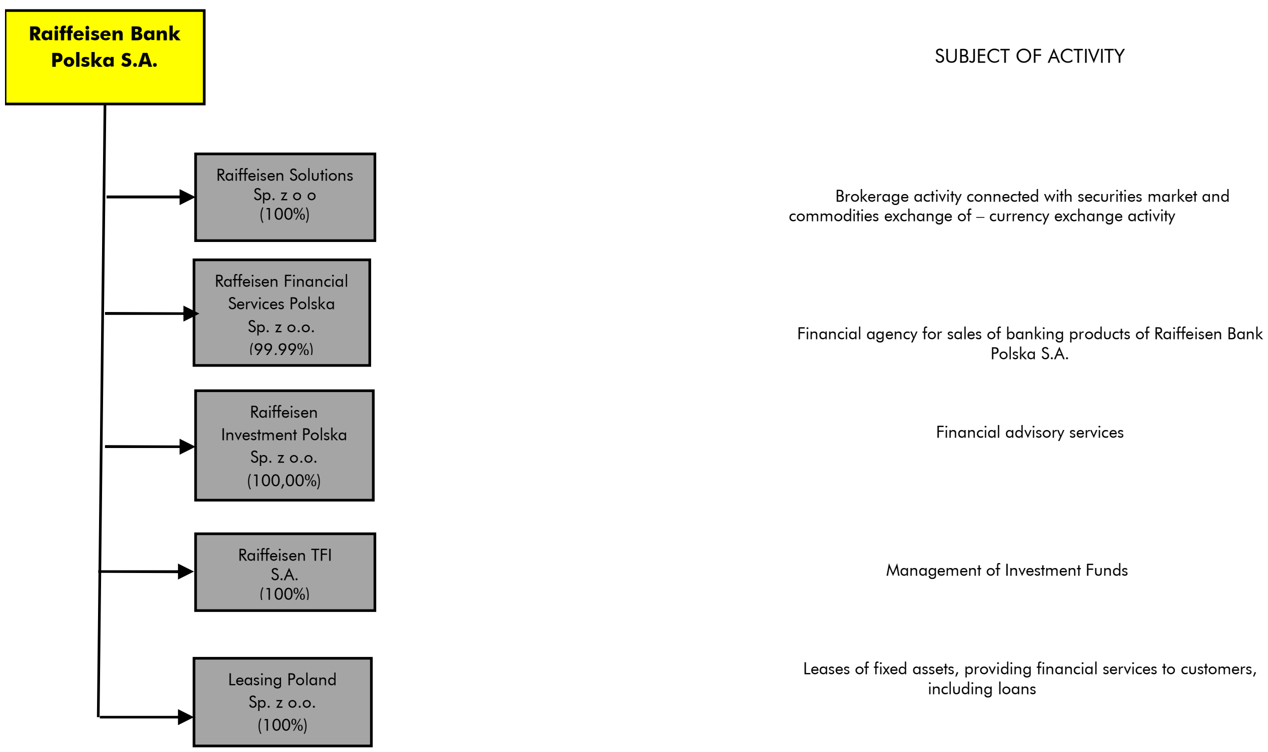
*See note 3

Notes to the interim condensed 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.

The Raiffeisen Bank Polska S.A. Group is composed of the following entities as of 30 June 2016:



Notes to the interim condensed 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 entities Compass Variety Funding LTD and ROOF Poland Leasing 2014 DAC, both located in Ireland, through which the Group concluded securitization of leasing debts. These entities were consolidated because the Parent Entity controls them, without an equity interest in those entities.

The program of securitization of leasing debts conducted through the special purpose entity Compass Variety Funding LTD was completed on 2 April 2015, the entity was consolidated till the end of the securitization program.

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 5 244 employees as at 30 June 2016 (6 051 employees as at 31 December 2015).

Notes to the interim condensed 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.,

RZB – Raiffeisen Zentralbank Österreich AG, the ultimate parent of the Group,

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

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

RZB Group – the Raiffeisen Zentralbank Oesterreich AG (RZB) Group, which includes, among others, banks from Central and Eastern Europe controlled by RBI and RZB, foreign branches of RZB, 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 17 August 2016.

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). RBI is a fully consolidated subsidiary of RZB. RZB holds a 60,7% stake in RBI as at 30 June 2016. 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 2016 till 30 June 2016 the following change has taken place within the Group structure:

On 31 March 2016 the Parent Entity sold 100% of the shares it owned in Raiffeisen-Leasing Polska S.A. to Raiffeisen Bank International AG; from this day the Parent Entity lost control of Raiffeisen-Leasing Polska S.A. and the entities from the Raiffeisen-Leasing Polska S.A. Group, namely Raiffeisen Insurance Agency Sp. z o.o., Raiffeisen-Leasing Real Estate Sp.z o.o. and the special purpose entity ROOF Poland Leasing 2014 DAC.

Notes to the interim condensed consolidated financial statements (cont.)

As at 30 June 2016 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
Ryszard Drużyński	– Vice-President of the Management Board
Łukasz Januszewski	– Member of the Management Board
Piotr Konieczny	– Member of the Management Board
Marek Patuła	– Member of the Management Board

As at 30 June 2016 the Parent Entity's Supervisory Board consisted of:

Karl Sevelda	– Chairman of the Supervisory Board
Martin Grüll	– Deputy Chairman of the Supervisory Board
Klemens Breuer	– Member of the Supervisory Board
Władysław Gołębiewski	– Member of the Supervisory Board
Andreas Gschwenter	– Member of the Supervisory Board
Peter Lennkh	– Member of the Supervisory Board
Selcuk Sari	– Member of the Supervisory Board
Herbert Stepic	– Member of the Supervisory Board
Johann Strobl	– Member of the Supervisory Board

In the period from 1 January 2016 to 30 June 2016 there were no changes in the Management and Supervisory Boards.

Notes to the interim condensed consolidated financial statements (cont.)

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 30 June 2016 and for the period from 1 January 2016 to 30 June 2016.

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

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.

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 2015.

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 2015.

The Raiffeisen Bank Polska S.A. Group Consolidated Financial Statements for the year ended 31 December 2015 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 interim condensed consolidated financial statements (cont.)

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

Standards and Interpretations which have been published but are not effective and have not been adopted early by the Group.

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	No	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. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets. Under the new standard, financial assets are to be classified on initial recognition into one of three categories: • financial assets measured at amortized cost; • financial assets measured at fair value through profit or loss; or • financial assets measured at fair value through other comprehensive income (OCI). A financial asset is classified as being subsequently measured at amortized cost if the following two conditions are met: • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. Otherwise, e.g. in the case of equity instruments of other entities, a financial asset will be measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, other than assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets – such remeasurement gains and losses are recognized in OCI.

Notes to the interim condensed consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				In addition, at initial recognition of an equity investment that is not held for trading, an entity may irrevocably elect to present all fair value changes from the investment in OCI. 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 impairment requirements, IFRS 9 replaces the “incurred loss” impairment model in IAS 39 with an “expected credit loss” model. Under the new approach, which aims to address concerns about “too little, too late” provisioning for impairment losses, it will no longer be necessary for a loss event to occur before an impairment allowance is recognized. 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.

Notes to the interim condensed consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				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 lifetime expected credit losses is met when payments are more than 30 days past due. As at the date of preparation of these financial statements the possible outcome of the first time application of the standard has not been estimated by the Group.
IFRS 15 *Revenue from Contracts with Customers*	May 2014	Financial year starting on or after 1 January 2018	No	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. As at the date of these financial statements a reliable estimation of the standard's impact has not been prepared by the Group.

Notes to the interim condensed consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
IFRS 16 Leases	January 2016	Financial year starting on or after 1 January 2019	No	IFRS16 replaces IAS17 Leases and related interpretations. In relation to lessees the new Standard eliminates existing current classification for finance and operating leases. Accounting for operating leases in the statements of financial position will result in recognition of a new asset – the right to use a leased item and a new liability, the liability to pay for the lease. Rights to use assets under lease are amortized and for liabilities, interest is accrued. This will result in recognition of a higher expense in the initial phase of the lease, even when parties agreed on constant yearly payments. Lessors accounting for lease in majority of case will not change as the classification for operating and finance lease is maintained. At the initial application the impact of the Standard will depend on the specific facts and circumstances relating to leasing agreements conducted by the Group. At the date of these consolidated financial statements, the Bank has not assess impact of the Standard on the 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	The changes explain, among others, that unrealized gains or losses related to debt instruments recognized as fair value in the financial statements, for which the tax value is their initial cost, may result in recognition of negative temporary differences. The above described changes are not expected to have a significant impact on Group's financial statements.

Notes to the interim condensed consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
Disclosure initiative (Changes to IAS 7 Statements of Cash flows)	January 2016	Financial year starting on or after 1 January 2017	No	The changes have 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. 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 a significant impact on the Group's financial statements.
Amendments to IFRS 2 Share-based Payments	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 transaction from cash-settled to equity-settled. The above described changes are not expected to have a significant impact on Group's financial statements.
Amendments to IFRS 15 (Revenue from Contracts with Customers)	September 2015	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;

Notes to the interim condensed consolidated financial statements (cont.)

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
				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); and 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.

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 interim condensed consolidated financial statements (cont.)

2.4. Consolidation

Subsidiaries are entities in respect of which the Bank 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. Changes in presentation of financial statements

Due to recognition of discontinued operations, the Group restated consolidated profit or loss statement for the first half of the 2015 to reflect continuing and discontinued operations in presented comparative data. The details relating to recognition of discontinued operations are presented in note 13.

Notes to the interim condensed consolidated financial statements (cont.)

Impact of the recognition of discontinued operations on comparatives for the period from 1 January 2015 to 30 June 2015 included in these interim condensed consolidated financial statements is presented in the table below:

	For the financial period from 1 January 2015 to 30 June 2015 before change	Change	For the financial period from 1 January 2015 to 30 June 2015 restated
Interest income	962 061	140 732	821 329
Interest expense	-418 267	-66 300	-351 967
Net interest income	**543 794**	**74 432**	**469 362**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	-120 205	-20 328	-99 877
including Proceeds from sale of receivables and other	3 247	0	3 247
Fee and commission income	333 808	20 248	313 560
Fee and commission expense	-46 733	-87	-46 646
Net fee and commission income	**287 075**	**20 161**	**266 914**
Net income from financial instruments measured at fair value and net foreign exchange result	22 595	-62	22 657
General administrative expenses	-628 287	-55 719	-572 568
Other operating income	46 040	28 049	17 991
Other operating expenses	-10 600	-2 152	-8 448
Profit before tax	**140 412**	**44 381**	**96 031**
Income tax expense	-40 615	-10 014	-30 601
Net profit	**99 797**	**34 367**	**65 430**

4. 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 interim condensed 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 2015, considering reasons and sources of uncertainties at the reporting date.

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

4.1. Impairment of the loan portfolio

The Group performs monitoring of its loan portfolio to assess impairment as a minimum on a quarterly basis.

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 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 30 June 2016 the base value of the allowances calculated under the individual assessment model for balance and off balance sheet exposures is PLN 747 186 thousand, and the base value of discounted recoveries from collateral and cash repayments is PLN 995 634 thousand (as at 31 December 2015 respectively: PLN 726 885 thousand and PLN 1 173 739 thousand).

Notes to the interim condensed 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 30 June 2016			
No change in inflows from collateral	747 186	745 945	748 847
Inflows from collateral increased by 10%	721 677	720 533	
Inflows from collateral decreased by 10%	783 362		787 435
As at 31 December 2015			
No change in inflows from collateral	726 885	713 877	744 179
Inflows from collateral increased by 10%	700 527	687 565	
Inflows from collateral decreased by 10%	758 509		778 686
As at 30 June 2015			
No change in inflows from collateral	804 672	785 188	828 847
Inflows from collateral increased by 10%	762 956	745 487	
Inflows from collateral decreased by 10%	852 545		879 227

Notes to the consolidated statement of profit or loss

5. 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 20. "Loans and advances to customers" and 25. "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 2016 to 30 June 2016	Continuing operations				Discontinued operations	Total
	Corporate Banking	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Management & Other Activities		
Interest Income	235 315	320 426	18 514	208 628		782 882
Interest Expense	-59 165	-147 274	-40 114	-50 026		-296 578
Net Interest Income (external)	**176 150**	**173 151**	**-21 600**	**158 602**		**486 304**
Net Interest Income (internal)	6 763	56 918	32 861	-96 542		0
Net Interest Income	**182 913**	**230 069**	**11 262**	**62 060**		**486 304**
Non-interest income (external)	171 369	184 844	65 834	-17 211		404 836
Operating Income	**354 282**	**414 913**	**77 096**	**44 850**		**891 140**
General administrative expenses	-158 334	-379 434	-31 002	-38 277		-607 048
there of: Depreciation	-9 426	-41 783	-1 728	-267		-53 204
Tax on financial institutions	-20 000	-30 682	-4 592	-13 234		-68 509
Provisioning for impairment losses	5 097	-59 700	70	-384		-54 917
Other operating result	0	2 239	647	-29 213		-26 327
Profit before tax	**181 044**	**-52 665**	**42 219**	**-36 259**		**134 339**
Taxes						-64 573
Net profit					**11 720**	**81 486**
Allocated assets	12 378 825	22 162 745	1 801 949	16 699 681		53 043 200
Unallocated assets						973 486
Total assets	**12 378 825**	**22 162 745**	**1 801 949**	**16 699 681**		**54 016 686**
Allocated liabilities	14 238 212	19 380 069	3 530 524	9 741 513		46 890 317
Unallocated liabilities						681 914
Total liabilities	**14 238 212**	**19 380 069**	**3 530 524**	**9 741 513**		**47 572 231**

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

For the financial period from 1 January 2015 to 30 June 2015 restated *	Continuing operations				Total continuing operations	Discontinued operations	Consoli-dation elimina-tions	Total
	Corporate Banking	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Management & Other Activities				
Interest Income	260 318	330 649	26 118	204 243	821 329			821 329
Interest Expense	-76 714	-169 176	-52 011	-54 066	-351 967			-351 967
Interest Income (external)	**183 604**	**161 473**	**-25 892**	**150 177**	**469 362**			**469 362**
Interest Income (internal)	14 839	66 799	44 370	-126 009	0			0
Net Interest Income	**198 443**	**228 273**	**18 478**	**24 169**	**469 362**			**469 362**
Non-interest income	155 934	96 285	52 828	-15 476	289 571			289 571
Operating Income	**354 377**	**324 557**	**71 306**	**8 693**	**758 933**			**758 933**
General administrative expenses	-148 437	-379 097	-29 979	-15 055	-572 568			-572 568
there of: Depreciation	-13 871	-36 750	-2 942	-2 483	-56 045			-56 045
Provisioning for impairment losses	-63 251	-33 625	-1 003	-1 999	-99 877			-99 877
Other operating result	0	2 852	1 896	4 795	9 543			9 543
Profit/(loss) before tax	**142 689**	**-85 312**	**42 220**	**-3 565**	**96 031**			**96 031**
Taxes					-30 601			-30 601
Net profit					**65 430**	**34 367**		**99 797**
Allocated assets	13 222 349	21 825 902	4 820 157	11 841 744	51 710 153	5 822 424	-462 047	57 070 529
Unallocated assets					1 783 421	558 761	-532 957	1 809 225
Total assets	**13 222 349**	**21 825 902**	**4 820 157**	**11 841 744**	**53 493 574**	**6 381 184**	**-995 004**	**58 879 754**
Allocated liabilities	13 669 042	18 201 961	5 291 669	9 532 299	46 694 972	5 697 210	-502 091	51 890 091
Unallocated liabilities					656 164	76 074	-225	732 013
Total liabilities	**13 669 042**	**18 201 961**	**5 291 669**	**9 532 299**	**47 351 136**	**5 773 284**	**-502 316**	**52 622 104**

*See note 3

"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.)

6. Interest income and expense

Interest income	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
	Continuing operations	
Loans and advances to banks	9 820	10 542
Loans and advances to customers	545 488	583 578
Financial assets held for trading	72 644	85 059
Derivative hedging instruments	95 267	99 610
Reverse repo instruments	5 112	8 749
Investment securities	54 550	33 791
Total	**782 882**	**821 329**
Interest expense		
Deposits from banks	-6 534	-9 744
Deposits from customers	-223 490	-279 535
Derivative hedging instruments	-2 602	-2 416
Repo intruments	-3 594	-5 108
Loans and advances received (including subordinated loans)	-52 663	-47 084
Debt securities issued	-7 695	-8 080
Total	**-296 578**	**-351 967**
Net interest income (including):	**486 304**	**469 362**
Total interest income from financial assets other than designated at fair value through profit or loss	614 951	636 023
Total interest expense related to financial assets other than designated at fair value through profit or loss	-293 976	-349 723

*See note 3

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

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

For the financial period from 1 January 2016 to 30 June 2016	Impairment allowances and provisions at the beginning of the period	Increases		Decreases					Impairment allowances and provisions 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	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	17 370	921	-5 357	-14 211	0	0	0	20 194	0	-1 332	**-1 406**
Amounts due from micro customers	123 030	37 045	658	-119 126	-8 784	-9 154	0	-19	23 650	0	-29 030	**768**
Amounts due from large enterprises	771 563	249 195	14 496	-83 339	-207 028	-1 269	0	-66	743 552	0	-17 505	**-24 665**
Amounts due from SME	74 056	15 091	46	-32 873	-5 705	-4 613	0	-9	45 993	157	-2 632	**-6 597**
Off-balance sheet items	41 228	22 255	536	0	-40 910	0	0	0	23 109	0	0	**18 656**
Total	**1 031 348**	**340 956**	**16 657**	**-240 695**	**-276 638**	**-15 036**	**0**	**-94**	**856 498**	**157**	**-50 499**	**-13 244**
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	45	5	0	-126	0	0	0	89	0	0	**81**
Amounts due from individuals	597 795	192 995	7 985	-2 494	-165 672	0	-192	0	630 417	0	-1 045	**-26 278**
Amounts due from micro customers	341 662	77 293	663	-21 168	-68 808	68	194	-6	329 898	0	22 753	**-31 238**
Amounts due from large enterprises	102 807	18 413	909	-5 212	-51 622	0	0	-2	65 293	0	22 253	**10 957**
Amounts due from SME	10 670	3 372	10	-5 440	-4 692	-7	-2	-4	3 907	0	491	**829**
Amounts due from the public sector	96	6	0	0	-21	0	0	0	81	0	0	**15**
Off-balance sheet items	9 046	1 619	0	0	-6 071	0	0	61	4 655	0	71	**3 961**
Total	**1 062 241**	**293 743**	**9 572**	**-34 314**	**-297 012**	**61**	**0**	**49**	**1 034 340**	**0**	**44 523**	**-41 673**
Total allowances and provisions	**2 093 589**	**634 699**	**26 229**	**-275 009**	**-573 650**	**-14 975**	**0**	**-45**	**1 890 838**	**157**	**-5 976**	**-54 917**

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

For the financial period from 1 January 2015 to 30 June 2015 restated *	Impairment allowances and provisions at the beginning of the period	Increases: Impairment allowance recognised	Increases: Foreign exchange differences	Decreases: Impairment allowance reversal	Decreases: Write-off of assets	Decreases: Reclassification	Decreases: Foreign exchange differences	Impairment allowances and provisions at the end of the yaer	Proceeds from sale of receivables	Impact on the result for the period restated*: Discontinued operations	Impact on the result for the period restated*: 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	17 810	32 266	3 452	-18 947	0	-48	0	34 533	953	-278	**-12 088**
Amounts due from micro customers	128 824	61 388	3 799	-48 925	-8 021	-14 889	0	122 176	0	-5 704	**-6 759**
Amounts due from large enterprises	844 236	174 290	5 157	-124 785	-27 756	-18 036	0	853 106	1 976	6 855	**-54 384**
Amounts due from SME	82 623	22 512	0	-10 941	-5 201	0	-36	88 957	318	-7 769	**-3 484**
Off-balance sheet items	26 631	22 038	0	-15 348	0	0	-8	33 313	0	0	**-6 690**
Total	**1 100 124**	**312 494**	**12 408**	**-218 946**	**-40 978**	**-32 973**	**-44**	**1 132 085**	**3 247**	**-6 896**	**-83 405**
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	302	298	0	-113	0	0	-1	485	0	0	**-184**
Amounts due from individuals	607 997	237 010	37 115	-227 439	0	63	0	654 746	0	-186	**-9 385**
Amounts due from micro customers	338 800	100 396	4 717	-97 876	-155	14 874	0	360 756	0	-10 299	**7 779**
Amounts due from large enterprises	66 409	53 738	0	-38 066	0	18 036	-70	100 047	0	-2 034	**-13 638**
Amounts due from SME	9 187	7 516	5	-5 013	0	0	0	11 695	0	-913	**-1 590**
Amounts due from the public sector	135	35	0	-36	0	0	0	134	0	0	**1**
Off-balance sheet items	8 319	3 348	0	-3 893	0	0	-11	7 763	0	0	**545**
Total	**1 031 149**	**402 340**	**41 837**	**-372 436**	**-155**	**32 973**	**-82**	**1 135 626**	**0**	**-13 432**	**-16 472**
Total allowances and provisions	**2 131 273**	**714 834**	**54 245**	**-591 382**	**-41 133**	**0**	**-126**	**2 267 711**	**3 247**	**-20 328**	**-99 877**

*See note 3

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

8. Fee and commission income and expense

	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Fee and commission income	**Continuing operations**	
Transaction margin on client's foreign exchange deals	141 781	131 738
Proceeds from card transactions	32 257	33 111
Handling and maintaining of bank accounts	19 183	22 172
Transfers and other payment transactions	26 056	25 407
Insurance intermediary	21 115	9 988
Custody activities	18 004	14 786
Lending activities	19 270	17 182
Handling of cash	9 899	9 827
Guarantee-related commitments	10 087	11 473
For preparing documents on clients' behalf	5 804	6 901
Cash receipts	6 754	7 263
From distribution of Open Investment Funds	9 245	10 724
Handling of letters of credit and documentary collection	3 428	3 899
Other	12 605	9 089
Total	**335 488**	**313 560**
Fee and commission expense		
Expenses on card transactions	-5 141	-7 919
Handling of banknote transactions	-9 773	-10 252
Paid to clearing institutions	-10 886	-7 744
Expenses on printing and mailing account statements	-2 403	-2 978
Expenses on brokerage fees (including custody)	-2 421	-2 332
Expenses on service and POS maintenance	0	-1 579
Expenses on BIK services and systems	-2 380	-1 836
Expenses relating to retail clients' accounts	-12	-5 274
Transaction margin on client's foreign exchange deals	-3 776	-1 778
Paid to agents	-1 012	-2 296
Paid for loro accounts service	-1 516	-1 612
Other	-1 040	-1 047
Total	**-40 360**	**-46 646**
Net fee and commission income (including):	**295 128**	**266 914**
Total commission income related to financial assets other than designated at fair value through profit or loss	175 703	167 036
Total commission expense related to financial assets other than designated at fair value through profit or loss	-37 939	-44 314

*See note 3

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

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

	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Net income from financial instruments measured at fair value	**Continuing operations**	
Net income realized and unrealized (without the currency component) on currency derivatives	-35 983	-28 702
Net income realized and unrealized (without the currency component) on interest rate based derivatives	16 994	22 042
Net income realized and unrealized on debt instruments	-505	1 045
Net income realized and unrealized on equity instruments	80 609	0
Total net income from financial instruments measured at fair value	**61 115**	**-5 615**
Net income from financial instruments in hedge accounting		
Fair value hedge	**584**	**348**
Changes in fair value of the hedged instrument	1 646	-3 699
Changes in fair value of the hedging instrument	-1 062	4 048
Cash flow hedge	**2 012**	**-3 478**
Ineffective part of changes in fair value of hedging insturments included in profit or loss	2 012	-3 478
Total net income from financial instruments in hedge accounting	**2 596**	**-3 129**
Net foreign exchange result		
Realized and unrealized foreign exchange differences arising from the currency component of the valuation of derivatives	-70 875	-998 177
Realized and unrealized foreign exchange gains/losses on the valuation of other assets and liabilities	116 871	1 029 578
Total net foreign exchange result	**45 996**	**31 401**
Total net income from financial instruments measured at fair value and net foreign exchange result	**109 708**	**22 657**

*See note 3

Additional information on hedged and hedging financial instruments is presented in note 17.

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

10. General administrative expenses

10.1. Salaries, wages and other employee benefits

Salaries, wages and other employee benefits	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
	Continuing operations	
Salaries and wages	-267 562	-212 874
Social insurance costs	-39 118	-37 948
Other employee benefits	-5 995	-7 689
Total	**-312 674**	**-258 510**

*See note 3

10.2. Other administrative expenses

Other administrative expenses	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
	Continuing operations	
Maintenance and rental of buildings	-72 225	-71 214
including lease installments	-55 492	-55 750
IT and telecommunication costs	-44 477	-56 911
Contribution and payments to Bank Guarantee Fund	-46 545	-46 529
Consulting services	-12 851	-4 226
Marketing costs	-8 649	-24 340
Training costs	-2 857	-4 286
Costs of other lease installments	-2 082	-3 412
Other sundry costs	-51 484	-47 096
Depreciation cost including:	-53 204	-56 045
depreciation cost on property, plant and equipment	-19 438	-23 869
depreciation cost on intangible assets	-33 766	-32 177
Total	**-294 374**	**-314 058**

*See note 3

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

11. Other operating income and expense

Other operating income	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
	Continuing operations	
Revenue from non-banking activities	1 390	3 234
Release of other provisions	1 767	2 651
Income on disposal of property, plant and equipment and intangible assets	289	9 077
Reversal of impairment allowance on other assets	196	0
Reversal of other asset write offs	31	59
Other	3 695	2 970
Total	**7 368**	**17 991**

*See note 3

Other operating expense	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
	Continuing operations	
Expenses on allocation to other provisions	-8 948	-1 361
Impairment of property, plant and equipment and intangible assets	-6 493	0
Costs of sale and disposal of property,plant and equipment and intangible assets	-8 883	-1 405
Debt collection costs	-5 676	-3 319
Other	-3 696	-2 363
Total	**-33 696**	**-8 448**

*See note 3

12. Income tax

Reconciliation of effective tax rate - continuing operations	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated
Profit before tax	134 339	96 031
Current income tax at the local tax rate on profit before tax (19%)	-25 524	-18 246
Tax effect of non-deductible expenses incurred and estimated	-38 333	-12 363
Tax effect of non-taxable income	-716	8
Total income tax charge	**-64 573**	**-30 601**

*See note 3

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

Analysis of income tax expense recognised in the statement of profit or loss	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Current income tax	-28 677	0
Correction of current income tax regarding previous years	-640	-1 367
Deferred tax	**-35 256**	**-29 233**
Total income tax charge	**-64 573**	**-30 601**

*See note 3

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.

Significant change in the income tax charge for the period ended 30 June 2016 compared to the period ended 30 June 2015 is due to actual and planned payments of tax from financial institutions for the year 2016. This tax is due for the first monthly period starting February 2016. Tax from financial institutions is not tax expense and have negative impact on effective tax rate.

13. 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) and 30 June 2015, 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 *	For the financial period from 1 January 2015 to 30 June 2015 restated
	Discontinued operations	
Interest income	77 294	146 516
Interest expense	-42 271	-72 090
Net interest income	**35 023**	**74 426**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	-5 976	-20 328
Fee and commission income	10 426	20 422
Fee and commission expense	-49	-160
Net fee and commission income	**10 377**	**20 262**
Net income from financial instruments measured at fair value and net foreign exchange result	-117	-115
General administrative expenses	-31 801	-61 480
Other operating income	15 526	34 493
Other operating expenses	-1 626	-2 878
Profit before tax	**21 405**	**44 381**
Income tax expense	-4 997	-10 014
Net profit	**16 408**	**34 367**
Result before tax on sale of discontinued operations	**33 751**	**0**
Income tax on sale of discontinued operations	**-38 439**	**0**
Net profit of discontinued operations	**11 720**	**34 367**
Net cash flow from operating activities	**-119 693**	**-289 799**
Net cash flow from investing activities	**-1 211**	**-3 873**
Net cash flow from financing activities	**-590 940**	**-293 266**

**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

14. Cash and balances with the Central Bank

	30 June 2016	31 December 2015	30 June 2015
Cash at hand	817 624	1 067 024	651 699
Balances with the Central Bank	562 140	1 636 486	1 345 735
Total	**1 379 764**	**2 703 510**	**1 997 434**

15. Amounts due from banks

	30 June 2016	31 December 2015	30 June 2015
Collateral deposits	196 591	1 051 393	1 342 436
Cash on current accounts	35 296	169 296	186 714
Loans and advances to banks	61 737	57 389	260 247
Deposits with other banks	40 000	48 437	77 554
Gross amounts due from banks	**333 624**	**1 326 515**	**1 866 951**
Impairment allowance	-89	-165	-485
Net amounts due from banks	**333 536**	**1 326 350**	**1 866 466**

16. Derivative financial instruments

The Bank enters into the following derivative instruments, including those used as hedging instruments and other then 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:

	30 June 2016			31 December 2015			30 June 2015		
	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	39 030 463	401 275	321 446	50 048 441	390 363	390 121	35 403 080	378 793	399 664
Options acquired or sold OTC	2 583 888	22 485	22 776	2 295 927	14 831	14 843	1 113 153	20 256	21 543
Total foreign exchange derivatives	**41 614 350**	**423 760**	**344 223**	**52 344 368**	**405 194**	**404 963**	**36 516 233**	**399 048**	**421 207**
Interest rate swaps (IRS)	14 204 573	162 160	114 097	12 822 009	145 236	92 798	11 089 140	150 184	115 553
Forward Rate Agreement (FRA)	1 533 130	4 065	1	3 550 000	3 059	6 103	2 550 000	6 866	9 921
Total interest rate derivatives	**15 737 703**	**166 225**	**114 098**	**16 372 009**	**148 295**	**98 901**	**13 639 140**	**157 050**	**125 473**
Total	**57 352 053**	**589 985**	**458 321**	**68 716 377**	**553 489**	**503 864**	**50 155 373**	**556 098**	**546 680**
Derivative financial instruments in cash flow hedges									
FX swaps	1 611 583	0	34 180	1 859 368	4 207	43 265	2 601 174	8 349	107 409
Currency interest rate swaps (CIRS)	6 256 328	0	1 057 044	6 983 603	4 350	910 946	6 771 103	0	1 108 646
Total	**7 867 911**	**0**	**1 091 225**	**8 842 970**	**8 557**	**954 211**	**9 372 276**	**8 349**	**1 216 055**
Derivative financial instruments in fair value hedges									
Interest rate swaps (IRS)	125 089	0	21 596	123 822	0	20 536	125 189	0	20 555
Total	**125 089**	**0**	**21 596**	**123 822**	**0**	**20 536**	**125 189**	**0**	**20 555**
Total derivatives financial instruments	**65 345 053**	**589 985**	**1 571 142**	**77 683 169**	**562 046**	**1 478 611**	**59 652 839**	**564 447**	**1 783 290**

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

17. 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 30 June 2016 and 30 June 2015 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 9.

	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015
Result on change in fair value of hedging instrument	-1 062	4 048
Result on change in fair value of hedged instrument	1 646	-3 699
Result on fair value hedge accounting	**584**	**348**
Interest result on derivative hedge instrument	-2 602	-2 416
	For the financial period from 1 January 2016 to 30 June 2016	**For the financial period from 1 January 2015 to 30 June 2015**
Nominal value of hedging instrument	125 089	125 189
Nominal value of hedged instrument	125 089	125 189

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 16.

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 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross)	19 536	7 002
Net interest income on hedging derivatives recognized in the profit or loss	95 267	99 610
Ineffective change in fair value of hedging transactions recognized in the statement of profit or loss	2 012	-3 478

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 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the beginning of the period	**-46 858**	**-57 443**
Revaluation reserves (revaluation with interest realized within the period)	-112 920	-947 565
Interest result on derivative financial instruments in cash flow hedges	-95 267	-99 610
Result on revaluation of derivative financial instruments in cash flow hedges	229 736	1 050 700
Ineffective change in fair value of hedging transactions presented in the statement of profit or loss	-2 012	3 478
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the end of the period	**-27 322**	**-50 441**

18. Financial assets held for trading

Financial assets held for trading	30 June 2016	31 December 2015	30 June 2015
Bonds and bills issued by the State Treasury	591 119	332 392	496 517
Bonds convertible to shares	0	0	62 791
NBP bills	8 000 000	12 146 112	8 197 316
Corporate bonds	285 931	74 316	62 928
Mortgage bonds	6 512	17 590	26 114
Total	**8 883 562**	**12 570 410**	**8 845 666**

19. Investment securities

	30 June 2016	31 December 2015	30 June 2015
Investment securities held to maturity			
Treasury bonds	3 462 591	1 964 957	1 964 983
Total held to maturity	**3 462 591**	**1 964 957**	**1 964 983**
Investment securities available for sale			
Equity investments	58 769	95 495	42 129
Financial instruments blocked for BFG*	229 482	228 816	201 983
Corporate bonds	348 291	319 970	314 064
Treasury bonds	3 448 758	1 232 417	462 075
Total available for sale	**4 085 300**	**1 876 698**	**1 020 251**
Total	**7 547 891**	**3 841 655**	**2 985 234**

*including treasure bonds (30 June 2016;31 December 2015) and NBP bills (30 June 2015)

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

As a result of realization of takeover of Visa Europe Limited by Visa Inc. and connected with this transaction sale of the Bank's shares in Visa Europe to Visa Inc., the Bank received from Visa Inc. payment for the sale of the shares of EUR 13.44 million. Cash was recorded on the Bank's account on 21 June 2016.

The Bank will also receive 4 878 Series C Visa Inc. preferred shares. Series C Visa Inc. preferred shares will be converted into Series A ordinary Visa Inc. shares. Transaction conditions assume gradual conversion of preferred shares. The conversion of all preferred shares should be finalized in the year 2028. Currently preferred shares conversion factor to ordinary shares amounts to 13.952. According to Transaction conditions it can be lowered in the period till 2028.

The Transaction assumes also additional cash payout to the Bank, within "deferred payment", which should be made after three years from transaction finalization, i.e. II quarter of 2019. The total amount of "deferred payment" for all banks selling of shares in Visa Europe Limited to Visa Inc. amounts to EUR 1.12 billion. The Bank share in this amount equals to 0.1035487037%.

Total result on the sale of the above described elements was included in Net income from financial instruments measured at fair value and net foreign exchange result and amounted to PLN 80 595 thousand, and related to:

- payment for the sale of shares received in cash of PLN 59 039 thousand,
- received preferred shares of PLN 16 523 thousand,
- additional cash payout within "deferred payment" of PLN 5 033 thousand.

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

20. 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 5 "Segment information", which is based on the business model of the Group.

Loans and advances to customers by borrower segment	**30 June 2016**			**31 December 2015**			**30 June 2015**		
	Gross amount	**Impairment allowance**	**Net amount**	**Gross amount**	**Impairment allowance**	**Net amount**	**Gross amount**	**Impairment allowance**	**Net amount**
Individual customers	20 333 736	650 611	19 683 125	19 923 568	619 266	19 304 302	20 149 954	689 279	19 460 675
Micro customers	2 821 578	353 548	2 468 030	5 871 098	464 692	5 406 406	5 753 537	482 932	5 270 605
Large enterprises	11 619 977	808 845	10 811 132	13 322 786	874 370	12 448 416	15 052 335	953 153	14 099 182
including buy sell back	0	0	0	40 429	0	40 429	547 717	0	547 717
SME	1 378 584	49 900	1 328 684	2 110 144	84 726	2 025 418	2 072 579	100 652	1 971 927
Public sector	17 573	82	17 491	21 679	96	21 583	23 627	134	23 493
Total	**36 171 448**	**1 862 986**	**34 308 462**	**41 249 275**	**2 043 150**	**39 206 125**	**43 052 032**	**2 226 150**	**40 825 882**

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

Loans and advances to customers by quality

30 June 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	19 340 973	50 806	10 407	0	41 479	20 835	940 877	578 970	**19 683 125**
Micro customers	2 097 167	12 894	3 797	0	46 808	23 623	673 806	317 031	**2 468 030**
Large enterprises	10 097 201	50 382	475 776	15 431	1 047 000	743 032	0	0	**10 811 132**
SME	1 306 864	2 771	17 909	1 229	53 811	45 900	0	0	**1 328 684**
Public sector	17 573	82	0	0	0	0	0	0	**17 491**
Total	**32 859 778**	**116 935**	**507 889**	**16 660**	**1 189 098**	**833 390**	**1 614 683**	**896 001**	**34 308 462**

Loans and advances to customers by quality

31 December 2015	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	18 983 226	64 273	2 122	0	45 534	21 468	892 686	533 525	**19 304 302**
Micro customers	5 021 442	32 625	4 397	0	162 636	123 033	682 623	309 034	**5 406 406**
Large enterprises	11 379 179	56 777	560 895	23 698	1 234 867	771 561	147 845	22 334	**12 448 416**
including buy sell back transaction	40 429	0	0	0	0	0	0	0	**40 429**
SME	1 990 194	8 924	25 430	1 744	94 520	74 058	0	0	**2 025 418**
Public sector	21 679	96	0	0	0	0	0	0	**21 583**
Total	**37 395 720**	**162 695**	**592 844**	**25 442**	**1 537 557**	**990 120**	**1 723 154**	**864 893**	**39 206 125**

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

Loans and advances to customers by quality									
30 June 2015									
	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	19 131 020	65 947	0	0	62 186	34 529	956 748	588 803	**19 460 675**
Micro customers	4 883 669	41 892	0	0	172 261	122 180	697 607	318 860	**5 270 605**
Large enterprises	12 555 365	61 988	786 329	18 733	1 592 681	853 124	117 960	19 308	**14 099 182**
including BSB transaction	547 717	0	0	0	0	0	0	0	**547 717**
SME	1 933 136	10 011	26 089	1 701	113 354	88 940	0	0	**1 971 927**
Public sector	23 627	134	0	0	0	0	0	0	**23 493**
Total	**38 526 817**	**179 972**	**812 418**	**20 434**	**1 940 482**	**1 098 773**	**1 772 315**	**926 971**	**40 825 882**

"Loans and advances to customers" as at 31 December 2015 and 30 June 2015 includes finance lease receivables.

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

21. Intangible assets

	30 June 2016	31 December 2015	30 June 2015
Intangible assets, including:			
Goodwill	32 966	32 966	32 966
"Polbank" brand	200 000	200 000	200 000
Customers relationships	21 686	26 565	33 541
Computer software	207 206	249 560	266 621
Computer software under development	38 682	33 740	32 444
Advances for intangible assets	5 873	8 828	656
Total	**506 414**	**551 659**	**566 228**

22. Property, plant and equipment

	30 June 2016	31 December 2015	30 June 2015
Tangible fixed assets, including:			
Buildings, apartments and leasehold improvements	35 560	50 299	58 348
Technical equipment and machinery	54 576	71 269	76 413
Vehicles	14	136 863	133 612
Other tangible assets	6 115	7 769	11 776
Assets under construction	32 004	7 143	2 491
Advances for property, plant and equipment	3 128	2 884	168
Total	**131 396**	**276 229**	**282 808**

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

23. Other assets

Other assets	30 June 2016	31 December 2015	30 June 2015
Financial assets gross, including:			
Collection of bills and cheques	183	368	137
Sundry debtors	99 383	100 717	138 933
Settlements with brokerage offices – receivables	5 025	5 225	5 173
Settlements of payment cards transactions - receivables	64 799	76 052	84 383
Total financial assets, gross	**169 390**	**182 362**	**228 626**
Impairment allowance	-10 261	-4 925	-4 209
Total financial assets, net	**159 128**	**177 438**	**224 417**
Non-financial assets gross, including:			
Accruals and prepayments	40 863	50 249	110 883
Income receivable	2 708	3 787	1 182
Assets acquired for debt	2 580	9 125	9 433
Other	180	10 432	16 892
Public (law) settlements	42 028	57 680	103 045
Total non-financial assets, gross	**88 359**	**131 273**	**241 435**
Impairment allowance	-2	-3 209	-3 175
Total non-financial assets, net	**88 357**	**128 063**	**238 260**
Total	**247 485**	**305 501**	**462 676**

Legal dispute of Raiffeisen Bank Polska S.A. with the Tax Authority regarding income tax liabilities.

Public (law) settlements in Other assets line include primarily the amount of disputed claims for overpaid income tax. In 2009 the Bank was subject to two tax inspections concerning the correctness of corporate income tax settlements in 2004 and 2007. In 2012 there was another examination of corporate income tax settlement for 2006. As a result, the tax authorities expressed an opinion different to the one of the Management of the Bank as to the tax treatment of the result on investments made in 2004, 2006 and 2007. Having maintained its stance on the correctness of tax settlement the Bank has paid the tax liabilities with interest and recognized receivables from the Tax Authority. Tax inspections regarding income tax settlements were finalized with decisions of the Director of the Tax Chamber. The Bank raised on appeal against this decision to Voivodeship Administrative Court.

The Voivodeship Administrative Court overruled the decisions issued by the Director of the Tax Chamber for 2004, 2006 and 2007. The tax authority appealed against this ruling for 2004, 2006 and 2007 to the Supreme Administrative Court. On 24 November, 2015 the Supreme Administrative Court overruled the appealed judgments and referred the cases for renewed assessment by the Voivodeship Administrative Court. On 28 and 29 April 2016 the Voivodeship Administrative Court in Warsaw overruled the Bank's

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

appeal and kept in force decisions made by the Director of Tax Chamber in Warsaw. To the date of approval of these interim condensed consolidated financial statements by the Management of the Raiffeisen Bank Polska S.A. the ruling of the Voivodeship Administrative Court in Warsaw did not come into force.

The Bank appealed to the Supreme Administrative Court in Warsaw on 23 June 2016 – year 2007, 29 June 2016 – year 2004, 12 July 2016- year 2006. The amount of the disputed claim amounts to PLN 75 868 thousand, including the main claim of PLN 57 188 thousand and paid penalty interest amounting to PLN 18 680 thousand as at 30 June 2016.

Risk assessment of the above mentioned dispute made by the Management of the Raiffeisen Bank Polska S.A.

Polish tax regulations are subject to interpretations and changes, therefore as shown above, it is theoretically possible that interpretation of these regulations by tax authorities may differ from the one applied by the Raiffeisen Bank Polska S.A., which may result in tax authorities striving to assess a different amount of tax than that actually paid by Bank.

Nevertheless, as at the date of approving the interim condensed consolidated financial statements, the Management of Raiffeisen Bank Polska S.A. maintains its stance regarding the correctness of income tax settlements of Raiffeisen Bank Polska S.A. In the Management Board’s opinion the position of the Tax Authority resulting from the inspection is unfounded and a favorable outcome is expected and as a result the Tax Authority would be required to refund to the Bank tax paid with interest.

Legal dispute relating to Raiffeisen-Leasing Polska S.A. income tax liabilities was described in note 30.

24. Amounts due to banks and other monetary institutions

	30 June 2016	31 December 2015	30 June 2015
Current accounts	411 197	251 817	375 527
Term deposits	205 387	226 973	1 023 657
Loans received	7 346 587	12 610 007	11 295 865
Repo transactions	0	0	801 854
Total	**7 963 171**	**13 088 797**	**13 496 903**

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

25. Amounts due to customers

	30 June 2016	31 December 2015	30 June 2015
Amounts due to individuals	17 363 621	17 512 927	16 622 921
Amounts due to micro customers	2 137 738	1 978 426	1 609 591
Amounts due to large enterprises	13 401 808	14 608 143	14 084 691
Amounts due to SME	3 618 860	3 662 650	2 838 208
Total	**36 522 027**	**37 762 146**	**35 155 411**

26. Subordinated liabilities

	30 June 2016	31 December 2015	30 June 2015
Loan of EUR 25 million due in 2017	110 900	106 812	105 129
Loan of EUR 50 million due in 2024	221 287	213 095	209 733
Loan of EUR 95 million due in 2022	0	404 882	0
Total	**332 187**	**724 789**	**314 862**

In April 2016 the Parent Entity requested PFSA to stop acceptance procedure for the approval to classify the loan of EUR 95 million due in 2022, as own funds, at the request of the Bank PFSA suspended those proceedings .

27. Liabilities from debt securities issued

For the financial period from 1 January 2016 to 30 June 2016	At the beginning of the period	Decreases due to the changes in the Group structure	Change of accrued interest, discount and valuation	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 825	0	-35	501 790
Liabilities from debt securities issued by securitization entity	1 256 852	-1 259 674	2 822	0
Total	**1 758 677**	**-1 259 674**	**2 787**	**501 790**

For the financial period from 1 January 2015 to 30 June 2015	At the beginning of the period	Changes of accured interest	Change of accrued interest, discount and valuation	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 960	8 080	-8 255	501 785
Liabilities from debt securities issued by securitization entity	634 434	8 786	-5 380	637 840
Total	**1 136 394**	**16 866**	**-13 635**	**1 139 625**

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

28. Provisions

For the financial period from 1 January 2016 to 30 June 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	41 228	22 255	-40 910	0	536	0	**23 109**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	9 046	1 619	-6 071	0	61	0	**4 655**
Total impairment provisions	**50 274**	**23 874**	**-46 981**	**0**	**597**	**0**	**27 764**
Provisions for disputes and claims	17 902	2 068	-1 985	-1 400	0	-288	**16 297**
Provision for employee bonuses	56 861	47 602	-16 596	-25 479	0	-6 894	**55 494**
Provision for unused holidays	23 884	24 816	0	-1 314	0	-3 731	**43 654**
Provision for pension benefits	3 543	0	0	0	0	-184	**3 359**
Restructuring provision	9 748	19 216	-885	-12 560	0	0	**15 519**
Other provisions	110	0	0	-110	0	0	**0**
Total provisions	**112 048**	**93 702**	**-19 465**	**-40 864**	**0**	**-11 097**	**134 325**
Total	**162 323**	**117 576**	**-66 446**	**-40 864**	**597**	**-11 097**	**162 089**

For the financial period from 1 January 2015 to 30 June 2015	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	26 630	22 038	-15 348	0	-8		**33 312**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	8 320	3 348	-3 893	0	-11		**7 764**
Total impairment provisions	**34 951**	**25 386**	**-19 241**	**0**	**-19**		**41 077**
Provisions for disputes and claims	21 514	14	-1 860	2	0		**19 671**
Provision for jubilee bonuses	38 742	7	0	-16	0		**38 733**
Provision for employee bonuses	56 851	47 844	-26 954	-25 214	-46		**52 481**
Provision for unused holidays	26 613	2 952	-2 222	-2 092	0		**25 251**
Provision for pension benefits	3 565	0	0	-3	0		**3 562**
Restructuring provision	37 822	0	-45	-17 795	0		**19 982**
Other provisions	39	0	0	-39	0		**0**
Total provisions	**185 147**	**50 817**	**-31 080**	**-45 157**	**-46**		**159 680**
Total	**220 097**	**76 203**	**-50 321**	**-45 157**	**-65**		**200 757**

Provisions for legal disputes 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 3 601 thousand for potential claims resulting from disputes with former Polbank franchisee partners,

- provision in the amount of PLN 1 950 thousand relating to legal disputes from the settlements of option transactions.

The restructuring provision as at 30 June 2016, in the amount of PLN 15 519 thousand (PLN 9 748 thousand as at 31 December 2015) has been created mainly for the purpose of severance payments resulting from the 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 from realization of employment and branches optimization program.

29. 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	**30 June 2016**	**31 December 2015**	**30 June 2016**	**31 December 2015**
At the beginning of the period	2 256 683	2 256 683	248 260	248 260
Issue of shares	0	0	0	0
At the end of the period	**2 256 683**	**2 256 683**	**248 260**	**248 260**

Other capital and reserves	**30 June 2016**	**31 December 2015**
General banking risk reserve	995 019	970 019
Settlement of the purchase of an organized part of an entity	-3 883	-3 883
Revaluation reserve for avaiable for sale financial assets	1 005	43 175
Revaluation reserve for cash flow hedge derivatives	-22 131	-37 955
Brokerage activities reserve	1 000	1 000
Other reserves	46 522	46 522
Transactions with non-controlling interests	0	50
At the end of the period	**1 017 531**	**1 018 927**

Other explanatory notes

30. Contingent liabilities

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

	30 June 2016	31 December 2015	30 June 2015
Guarantees issued			
Bank guarantees	2 025 681	1 667 352	1 659 236
Letters of credit and bank acceptances	206 969	215 575	225 595
Total guarantees issued	**2 232 651**	**1 882 927**	**1 884 830**
Financial liabilities granted			
Granted loan commitments:	7 778 774	8 123 826	7 717 202
With initial maturity up to 1 year	3 386 860	3 720 595	3 768 855
With initial maturity above 1 year	4 391 914	4 403 231	3 948 347
Total financial liabilities granted	**7 778 774**	**8 123 826**	**7 717 202**
Total	**10 011 425**	**10 006 753**	**9 602 032**

	30 June 2016	31 December 2015	30 June 2015
Guarantees received	5 676 344	6 724 186	6 688 064
Total	**5 676 344**	**6 724 186**	**6 688 064**

Legal dispute of Raiffeisen-Leasing Polska S.A. with the Tax Authority regarding income tax liabilities.

In 2008 Raiffeisen Leasing Polska S.A. was subject to a tax inspection concerning the correctness of corporate income tax settlements in 2006. As a result the tax authorities expressed an opinion different than the Management of the Company as to the tax treatment of the result on investments made in 2006. Having maintained its stance on the correctness of tax settlement the Company has paid the tax liabilities and recognized receivables from the Tax Authority. As at 30 June 2016 the total balance of tax receivables amounted to PLN 12 900 thousand (PLN 14 176 thousand as at 31 December 2015).

On 17 November 2015 in reply to the appeal made by the Director of the Tax Chamber in Warsaw, The Supreme Administrative Court in Warsaw, overruled the decision of the court of the first instance and referred the case to be reassessed by the Voivodeship Administrative Court in Warsaw. On 12 February 2016 the Voivodeship Administrative Court in Warsaw overruled the appeal made by the Company and kept in force the decisions made by the Director of the Tax Chamber in Warsaw. To the date of approval of these interim condensed consolidated financial statements by the Management of the Raiffeisen Bank Polska S.A. the ruling of the Voivodeship Administrative Court in Warsaw did not come into force. The Company appealed to the Supreme Administrative Court in Warsaw on 3 June 2016.

Other explanatory notes (cont.)

According to the contract relating to the sale by the Bank of its shares in Raiffeisen-Leasing Polska S.A. to the RBI, the Bank is required to reimburse to RBI potential losses related to ongoing tax proceedings against Raiffeisen-Leasing Polska S.A., if any, including due to the dispute as described above .

Risk assessment of the above mentioned dispute made by the Management of the Raiffeisen Bank Polska S.A.

Polish tax regulations are subject to interpretations and changes, therefore as shown above, it is theoretically possible that interpretation of these regulations by tax authorities may differ from the one applied by Raiffeisen-Leasing Polska S.A., which may result in tax authorities striving to assess a different amount of tax than that actually paid by these companies.

Nevertheless, as at the date of approving the interim condensed consolidated financial statements, the Management of Raiffeisen Bank Polska S.A. maintains its stance regarding the correctness of income tax settlements of Raiffeisen-Leasing Polska S.A. In the Management Board's opinion the position of the Tax Authority resulting from the inspection is unfounded and a favorable outcome is expected and as a result the Tax Authority would be required to refund the receivables with interest.

31. Supplementary information to statement of cash flows

Cash and cash equivalents	30 June 2016	31 December 2015	30 June 2015
Cash in hand at the Bank	817 624	1 067 024	651 699
Cash on the current account with the Central Bank	562 140	1 636 486	1 345 735
Cash on Nostro accounts with other banks	37 250	171 296	186 714
Deposits with other banks (due within 3 months)	40 000	38 400	47 576
Cash and cash equivalents presented in the cash flow statement	**1 457 014**	**2 913 206**	**2 231 724**

Profit before tax	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015 restated *
Profit before tax continuing operations	134 339	96 031
Profit before tax discontinued operations	21 405	44 381
Result on sale of discontinued operations	33 751	0
Profit before tax presented in the cash flow statement	**189 495**	**140 412**

*See note 3

Other explanatory notes (cont.)

32. 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 2015.

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 30 June 2016, was negligible and did not differ significantly from values disclosed in the consolidated financial statements for the year ended 31 December 2015.

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

Other explanatory notes (cont.)

Postition description	30 June 2016					31 December 2015				
	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	1 379 764	1 379 764	0	0	1 379 764	2 703 510	2 703 510	0	0	2 703 510
Amounts due from banks	333 536	333 375	0	0	333 375	1 326 350	1 326 438	0	0	1 326 438
Financial assets held for trading	8 883 562	8 883 562	591 119	8 000 000	292 443	12 570 410	12 570 410	332 391	12 146 112	91 907
Derivative financial instruments, including:	589 985	589 985	0	573 520	16 465	562 046	562 047	0	552 188	9 859
Derivative financial instruments held for trading	589 985	589 985	0	573 520	16 465	553 489	553 489	0	543 631	9 859
Cash flow hedge derivative financial instruments	0	0	0	0	0	8 557	8 557	0	8 557	0
Investment securities, including:	7 547 891	7 516 665	7 109 605	0	407 060	3 841 655	3 810 756	3 395 291	0	415 465
Investment securities held to maturity	3 462 591	3 431 366	3 431 366	0	0	1 964 957	1 934 056	1 934 056	0	0
Investment securities available for sale, including:	4 085 299	4 085 299	3 678 239	0	407 060	1 876 698	1 876 698	1 461 233	0	415 465
Equity interests	58 768	58 768	0	0	58 768	95 495	95 495	0	0	95 495
Debt securities	4 026 531	4 026 531	3 678 239	0	348 292	1 781 203	1 781 203	1 461 233	0	319 970
Loans and advances to customers, including:	34 308 462	32 218 963	0	0	32 218 963	39 206 125	36 894 102	0	0	36 894 102
Individual customers	19 683 125	17 525 846	0	0	17 525 846	19 304 302	16 981 941	0	0	16 981 941
Micro customers	2 468 030	2 331 894	0	0	2 331 894	5 406 406	5 283 754	0	0	5 283 754
Large enterprises	10 811 132	11 010 758	0	0	11 010 758	12 448 416	12 570 192	0	0	12 570 192
SME	1 328 684	1 332 916	0	0	1 332 916	2 025 418	2 036 527	0	0	2 036 527
Public sector	17 491	17 550	0	0	17 550	21 583	21 689	0	0	21 689
Other financial assets	159 128	159 128	0	0	159 128	177 438	177 438	0	0	177 438
Total financial assets	**53 202 328**	**51 081 443**	**7 700 724**	**8 573 520**	**34 807 198**	**60 387 533**	**58 044 700**	**3 727 682**	**12 698 300**	**41 618 718**

Other explanatory notes (cont.)

Position description	30 June 2016					31 December 2015				
	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	7 963 171	7 853 323	0	0	7 853 323	13 088 797	13 033 377	0	0	13 033 377
Derivative financial instruments, including:	1 571 142	1 571 142	0	1 571 040	102	1 478 611	1 478 611	0	1 478 604	7
Derivative financial instruments held for trading	458 321	458 321	0	458 219	102	503 864	503 864	0	503 857	7
Cash flow hedge derivative financial instruments	1 091 225	1 091 225	0	1 091 225	0	954 211	954 211	0	954 211	0
Fair value hedge derivative financial instruments	21 596	21 596	0	21 596	0	20 536	20 536	0	20 536	0
Amounts due to customers, including:	36 522 027	36 759 143	0	0	36 759 143	37 762 146	38 188 259	0	0	38 188 259
Amounts due to individuals	17 363 621	17 481 993	0	0	17 481 993	17 512 927	17 657 546	0	0	17 657 546
Amounts due to micro customers	2 137 738	2 142 389	0	0	2 142 389	1 978 426	1 982 993	0	0	1 982 993
Amounts due to large enterprises	13 401 808	13 497 955	0	0	13 497 955	14 608 143	14 866 621	0	0	14 866 621
Amounts due to small and medium enterprises	3 618 860	3 636 807	0	0	3 636 807	3 662 650	3 681 099	0	0	3 681 099
Subordinated liabilities	332 187	248 160	0	0	248 160	724 789	519 133	0	0	519 133
Liabilities from debt securities issued	501 790	503 250	0	0	503 250	1 758 677	1 758 744	0	0	1 758 744
Other financial liabilities	385 768	385 768	0	0	385 768	312 728	312 728	0	0	312 728
Total financial liabilities	**47 276 085**	**47 320 786**	**0**	**1 571 040**	**45 749 747**	**55 125 748**	**55 290 851**	**0**	**1 478 604**	**53 812 247**

Other explanatory notes (cont.)

Postition description	30 June 2015				
	Book value	Fair value	Level I	Level II	Level III
Assets					
Cash and balances with central bank	1 997 434	1 997 434	0	0	1 997 434
Amounts due from banks	1 866 466	1 854 370	0	0	1 854 370
Financial assets held for trading	8 845 666	8 845 666	496 605	8 197 279	151 783
Derivative financial instruments, including:	564 447	564 447	0	547 080	17 367
Derivative financial instruments held for trading	556 098	556 098	0	538 731	17 367
Cash flow hedge derivative financial instruments	8 349	8 349	0	8 349	0
Investment securities, including:	2 985 234	2 976 581	2 416 810	201 982	357 790
Investment securities held to maturity	1 964 983	1 956 330	1 956 330	0	0
Investment securities available for sale, including:	1 020 251	1 020 251	460 479	201 982	357 790
Equity interests	42 129	42 129	0	0	42 129
Debt securities	978 122	978 122	460 479	201 982	315 661
Loans and advances to customers, including:	40 825 882	38 605 980	0	0	38 605 980
Loans and advances granted to individuals, including:	19 460 675	17 102 496	0	0	17 102 496
Loans and advances granted to micro customers	5 270 605	5 148 305	0	0	5 148 305
Loans and advances granted to large enterprises	14 099 182	14 350 034	0	0	14 350 034
Loans and advances granted to small and medium enterprises	1 971 927	1 981 427	0	0	1 981 427
Loans and advances granted to public sector entities	23 493	23 719	0	0	23 719
Other financial assets	224 417	224 417	0	0	224 417
Total financial assets	**57 309 546**	**55 068 895**	**2 913 414**	**8 946 341**	**43 209 141**

Other explanatory notes (cont.)

Position description	30 June 2015				
	Book value	Fair value	Level I	Level II	Level III
Liabilities					
Amounts due to banks and other monetary institutions	13 496 903	13 353 045	0	0	13 353 045
Derivative financial instruments, including:	1 783 290	1 783 290	0	1 783 043	248
Derivative financial instruments held for trading	546 680	546 680	0	546 433	248
Cash flow hedge derivative financial instruments	1 216 055	1 216 055	0	1 216 055	0
Fair value hedge derivative financial instruments	20 555	20 555	0	20 555	0
Amounts due to customers, including:	35 155 411	35 452 862	0	0	35 452 862
Amounts due to individuals	16 622 921	16 759 674	0	0	16 759 674
Amounts due to micro customers	1 609 591	1 613 186	0	0	1 613 186
Amounts due to large enterprises	14 084 691	14 226 626	0	0	14 226 626
Amounts due to small and medium enterprises	2 838 208	2 853 376	0	0	2 853 376
Subordinated liabilities	314 862	305 019	0	0	305 019
Liabilities from debt securities issued	1 139 625	1 139 625	0	0	1 139 625
Other financial liabilities	386 685	386 685	0	0	386 685
Total financial liabilities	**52 276 775**	**52 420 526**	**0**	**1 783 043**	**50 637 484**

Other explanatory 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 financial period from 1 January 2016 to 30 June 2016	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
Balance at the begining of the period	**91 907**	**9 859**	**319 970**	**7**
Increases, including:	273 097	7 065	59 222	97
Purchase	272 077	0	32 870	0
Derivatives opened during period	0	641	0	93
Income from financial instruments, included in:	1 020	2 122	26 352	-1
Net interest income	0	0	44	-1
Net income from financial instruments measured at fair value	1 020	2 122	0	0
Revaluation reserves	0	0	26 307	0
Reclassification	0	4 303	0	4
Decreases, including:	-72 560	-459	-30 900	-1
Settlement/ redemption	0	-312	0	-7
Sale	-56 073	0	-21 007	0
Loss from financial instruments, included in:	-16 487	-116	-9 893	5
Net interest income	-203	0	-112	0
Net income from financial instruments measured at fair value	-16 284	-116	0	5
Revaluation reserves	0	0	-9 781	0
Changes due to changes in Group structure	0	-31	0	0
Balance at period end	**292 443**	**16 465**	**348 292**	**102**
Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:	**-14 462**	**6 637**	**19 215**	**96**
Net interest income	803	0	2 689	0
Net income from financial instruments measured at fair value	-15 264	6 637	0	96
Revaluation reserves	0	0	16 526	0

Other explanatory notes (cont.)

For the financial period from 1 January 2015 to 30 June 2015	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
Balance at the begining of the period	**165 257**	**814**	**351 436**	**113**
Increases, including:	77 913	17 190	68 220	150
Purchase	77 655	0	43 092	0
Derivatives opened during period	0	7 878	0	151
Income from financial instruments, included in:	257	4	25 128	0
Net interest income	0	0	362	0
Net income from financial instruments measured at fair value	257	4	0	0
Revaluation reserves	0	0	24 766	0
Reclassification	0	9 308	0	0
Decreases, including:	-91 386	-637	-103 995	-15
Settlement/ redemption	0	-4	0	-79
Sale	-73 628	0	-47 434	0
Loss from financial instruments, included in:	-17 758	-31	-56 561	2
Net interest income	-80	0	-606	0
Net income from financial instruments measured at fair value	-17 678	-30	0	2
Revaluation reserves	0	0	-55 955	0
Reclassification	0	-602	0	61
Balance at the period end	**151 783**	**17 367**	**315 661**	**248**
Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:	**-16 893**	**17 155**	**-28 553**	**74**
Net interest income	528	0	2 637	0
Net income from financial instruments measured at fair value	-17 421	17 155	0	74
Revaluation reserves	0	0	-31 189	0

Other explanatory notes (cont.)

33. Transactions with related parties

The Parent Entity identifies the following related entities:

- Parent entities:
  - ultimate parent entity – Raiffeisen Zentralbank Österreich AG (RZB).
  - 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)

  - 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 entities Compass Variety Funding Ltd. (until 2 April 2015) and 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 explanatory notes (cont.)

Statement of financial position items	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Amounts due from banks	192 464	1 032 207	0	0	13 485	9 398
Financial assets held for trading	0	0	0	0	250 288	0
Derivative financial instruments - assets	326 586	370 841	0	0	9 860	401
Loans and advances to customers	0	0	2 304	2 300	122 354	0
Other assets	38	97	0	0	10 222	522
Amounts due to banks and other monetary institutions	5 515 034	8 134 370	0	0	1 787 959	1 962 116
Derivative financial instruments - liabilities	1 529 316	1 400 241	0	0	300	99
Amounts due to customers	0	0	4 590	4 574	209 671	15 482
Subordinated liabilities	332 187	724 789	0	0	0	0
Other liabilities	10 928	1 804	0	0	768	326
Provision for liabilities and charges	2 043	2 433	4 209	4 000	0	0

Statement of comprehensive profit and 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 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2015 to 30 June 2015
Interest income	82 400	96 363	21	26	2 592	549
Interest expense	-60 486	-77 082	-25	-56	-13 850	-8 397
Fee and commission income	500	796	4	1	1 610	1 305
Fee and commission expenses	-422	-703	-5	0	-76	-511
Net income from financial assets measured at fair value through profit or loss and net foreign exchange result	-230 636	-19 370	2	2	0	-452
Result on sale of discontinued operations	33 751	0	0	0	0	0
General administrative expenses	-5 576	-7 754	-9 942	-7 303	-2 693	-3 983
Other operating income	53	116	27	0	4 137	-90
Other operating expenses	0	-105	0	0	-56	0

Other explanatory notes (cont.)

Contingent liabilities and assets	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Guarantees and letters of credit	111 980	154 779	0	0	565 332	22 172
Financial liabilities granted	0	0	0	0	84 464	0
Guarantees received	88 708	1 286 821	0	0	13 895	73 086

Statement of financial position items	Parent Entities	Members of the Group's and the Parent Entities' key personnel	Other related entities
	30 June 2015	30 June 2015	30 June 2015
Amounts due from banks	1 306 828	0	11 326
Derivative financial instruments - assets	284 541	0	404
Loans and advances	0	2 353	0
Other assets	0	0	251
Amounts due to banks and other monetary institutions	7 973 073	0	772 696
Derivative financial instruments - liabilities	1 623 629	0	137
Amounts due to customers	0	6 358	417
Subordinated liabilities	314 862	0	0
Other liabilities	7 378	0	414
Provision for liabilities and charges	2 827	2 000	0

Contingent liabilities and assets	Parent Companies	Members of the Group's and the Parent Entities' key personnel	Other related entities
	30 June 2015	30 June 2015	30 June 2015
Guarantees and letters of credit	165 000	0	13 132
Financial liabilities granted	0	0	22 378
Guarantees received	174 696	0	67 537

Other explanatory notes (cont.)

34. Seasonality and business cycles

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

35. Other significant events having impact on Group's activities

According to Polish Financial Supervision Authority announcement from 308 meeting on 24 May 2016, the process of introduction of Raiffeisen Bank Polska S.A. shares to trading on regulated market of Warsaw Stock Exchange in Warsaw, which was assumed to be conducted by 30 June 2016, was suspended.

Investor's obligation realization was changed in the following way, PFSA will find obligation fulfilled if not later than by 31 December 2016 the transaction would be concluded with Raiffeisen Bank Polska S.A., which would be split by demerger pursuant to Art. 124c of Banking law and Art. 529 §1 point 4 Commercial Companies Code into part of Raiffeisen Bank Polska S.A. connected with mortgage loans denominated in CHF or index-linked to CHF (CHF portfolio), which should remain in Raiffeisen Bank Polska S.A. as demerged company and remaining part constituting banking share of Raiffeisen Bank Polska S.A., which would be purchased, in a demerger procedure, by other bank conducting its activities in Poland, which shares are in trading on Warsaw Stock Exchange in Warsaw, accepted by PFSA (local bank listed on stock exchange). After the spinoff part of Raiffeisen Bank Polska S.A. including only CHF portfolio would be merged on cross-border merger basis with Raiffeisen Bank International AG and as a result of this cross-border merger CHF portfolio would be transferred to Polish branch of Raiffeisen Bank International AG as credit institution.

36. Events after reporting date

In August 2016 the Polish president put forward a draft bill relating to refund of selected considerations resulting from loans and advances agreements, called "Swiss franc bill". The draft bill relates to receivables resulting from denominated or index-linked mortgage loans or mortgage advances agreements. The proposal is undergoing consultations, and may be subject to major changes. Details on loans portfolio denominated in CHF is presented in note 38.

No other events having significant influence on the Raiffeisen Bank Polska S.A Group interim condensed consolidated financial statement have accrued after reporting date.

Risk management

37. 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 2015.

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. From October 2015 the Bank was obliged by Financial Supervision Authority to maintain an additional capital adequacy to cover risk resulting from portfolio of currency mortgage loans equal to 2.08 p.p. on standalone and consolidated basis. In March 2016 the Financial Supervision Authority informed that in the result of verification, the additional capital adequacy on consolidated basis equals to 1.90 p.p., instead of 2.08 required to date. Moreover from January 2016 a new capital conservation buffer amounting to 1.25 p.p. is required. Therefore the total capital ratio should be maintained at the level not lower than 15.33% on a standalone basis and 15.15% on consolidated basis.

Risk management (cont.)

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	30 June 2016	31 December 2015	30 June 2015
Credit and counterparty risk	Standard	2 657 613	2 733 462	2 855 925
Market risk	Standard	65 920	40 291	49 513
Operational risk	Standard	271 001	289 818	289 818
Regulatory capital		**2 994 534**	**3 063 571**	**3 195 255**
Own funds		**5 924 366**	**5 724 042**	**5 716 181**
Total capital ratio (%)		**15,83**	**14,95**	**14,31**

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 5 676 977 thousand as at 30 June 2016, and Tier II capital amounted to PLN 247 389 thousand.

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.

38. Credit risk

Credit risk is the possibility of incurring a loss due to a debtor not meeting the terms of the agreement with 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 customers behalf.

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 30 June 2016	Financial assets presented in the 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**	**817 624**	**0**	**0**	**0**	**0**	**0**	**817 624**
Exposures to governments and central banks	**0**	**562 140**	**8 591 119**	**4**	**7 140 831**	**0**	**0**	**16 294 094**
Cash and balances with the Central Bank	0	562 140	0	0	0	0	0	562 140
Treasury bonds and bills	0	0	591 119	0	7 140 831	0	0	7 731 950
NBP bills	0	0	8 000 000	0	0	0	0	8 000 000
Derivative financial instruments	0	0	0	4	0	0	0	4
Exposures to banks	**333 536**	**0**	**14 635**	**357 204**	**0**	**0**	**0**	**705 375**
Cash on current and term accounts with other banks	271 886	0	0	0	0	0	0	271 886
Loans and advances granted to other banks	61 649	0	0	0	0	0	0	61 649
Derivative financial instruments	0	0	0	357 204	0	0	0	357 204
Corporate bonds	0	0	8 123	0	0	0	0	8 123
Mortgage backed bonds	0	0	6 512	0	0	0	0	6 512
Exposures to customers	**0**	**0**	**277 808**	**232 777**	**407 060**	**34 308 462**	**0**	**35 226 107**
Loans and advances granted to individuals	0	0	0	0	0	19 683 125	0	19 683 125
Loans and advances granted to micro customers	0	0	0	0	0	2 468 030	0	2 468 030
Loans and advances granted to large enterprises	0	0	0	0	0	10 811 132	0	10 811 132
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 328 684	0	1 328 684
Loans and advances granted to public sector entities	0	0	0	0	0	17 491	0	17 491
Equity investments available for sale	0	0	0	0	58 769	0	0	58 769
Derivative financial instruments	0	0	0	232 777	0	0	0	232 777
Corporate bonds	0	0	277 808	0	348 291	0	0	626 099
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**159 128**	**159 128**
Total	**333 536**	**1 379 764**	**8 883 562**	**589 985**	**7 547 891**	**34 308 462**	**159 128**	**53 202 328**

Risk management (cont.)

As at 31 December 2015	**Financial assets presented in the statement of financial position**							
Classes of 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**	**1 067 024**	**0**	**0**	**0**	**0**	**0**	**1 067 024**
Exposures to governments and central banks	**0**	**1 636 486**	**12 478 504**	**3 643**	**3 426 190**	**0**	**0**	**17 544 823**
Cash and balances with the Central Bank	0	1 636 486	0	0	0	0	0	1 636 486
Treasury bonds and bills	0	0	332 392	0	3 426 190	0	0	3 758 582
NBP bills	0	0	12 146 112	0	0	0	0	12 146 112
Derivative financial instruments	0	0	0	3 643	0	0	0	3 643
Exposures to banks	**1 326 350**	**0**	**69 051**	**394 137**	**16 262**	**0**	**0**	**1 805 801**
Cash on current and term accounts with other banks	1 269 126	0	0	0	0	0	0	1 269 126
Loans and advances granted to other banks	57 224	0	0	0	0	0	0	57 224
Derivative financial instruments	0	0	0	394 137	0	0	0	394 137
Corporate bonds	0	0	51 461	0	16 262	0	0	67 724
Mortgage backed bonds	0	0	17 590	0	0	0	0	17 590
Exposures to customers	**0**	**0**	**22 855**	**164 266**	**399 203**	**39 206 125**	**0**	**39 792 448**
Loans and advances granted to individuals	0	0	0	0	0	19 304 302	0	19 304 302
Loans and advances granted to micro customers	0	0	0	0	0	5 406 406	0	5 406 406
Loans and advances granted to large enterprises	0	0	0	0	0	12 448 416	0	12 448 416
Loans and advances granted to small and medium enterprises	0	0	0	0	0	2 025 418	0	2 025 418
Loans and advances granted to public sector entities	0	0	0	0	0	21 583	0	21 583
Equity investments available for sale	0	0	0	0	95 495	0	0	95 495
Derivative financial instruments	0	0	0	164 266	0	0	0	164 266
Corporate bonds	0	0	22 855	0	303 708	0	0	326 562
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**177 438**	**177 438**
Total	**1 326 350**	**2 703 510**	**12 570 410**	**562 046**	**3 841 655**	**39 206 125**	**177 438**	**60 387 533**

Risk management (cont.)

As at 30 June 2015	Financial assets presented in the statement of financial position							
Classes of 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**	**651 699**	**0**	**0**	**0**	**0**	**0**	**651 699**
Exposures to governments and central banks	**0**	**1 345 735**	**8 693 833**	**0**	**2 629 041**	**0**	**0**	**12 668 609**
Cash and balances with the Central Bank	0	1 345 735	0	0	0	0	0	1 345 735
Treasury bonds and bills	0	0	496 517	0	2 629 041	0	0	3 125 558
NBP bills	0	0	8 197 316	0	0	0	0	8 197 316
Exposures to banks	**1 866 466**	**0**	**74 245**	**380 750**	**0**	**0**	**0**	**2 321 462**
Cash on current and term accounts with other banks	1 606 704	0	0	0	0	0	0	1 606 704
Loans and advances granted to other banks	259 762	0	0	0	0	0	0	259 762
Derivative financial instruments	0	0	0	380 750	0	0	0	380 750
Corporate bonds	0	0	48 131	0	0	0	0	48 131
Mortgage bonds	0	0	26 114	0	0	0	0	26 114
Exposures to customers	**0**	**0**	**77 588**	**183 697**	**356 193**	**40 825 882**	**0**	**41 443 360**
Loans and advances granted to individuals	0	0	0	0	0	19 460 675	0	19 460 675
Loans and advances granted to micro customers	0	0	0	0	0	5 270 605	0	5 270 605
Loans and advances granted to large enterprises	0	0	0	0	0	14 099 182	0	14 099 182
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 971 927	0	1 971 927
Loans and advances granted to public sector entities	0	0	0	0	0	23 493	0	23 493
Investment securities available for sale	0	0	0	0	42 129	0	0	42 129
Derivative financial instruments	0	0	0	183 697	0	0	0	183 697
Corporate bonds	0	0	14 797	0	314 064	0	0	328 861
Bonds convertible to shares	0	0	62 791	0	0	0	0	62 791
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**224 417**	**224 417**
Total	**1 866 466**	**1 997 434**	**8 845 666**	**564 447**	**2 985 234**	**40 825 882**	**224 417**	**57 309 546**

Maximum exposure to credit risk for off-balance sheet items amounted to:	**30 June 2016**	**31 December 2015**	**30 June 2015**
Guarantees	2 232 651	1 882 927	1 884 830
Granted loan commitments	7 778 774	8 123 826	7 717 202
Total	**10 011 425**	**10 006 753**	**9 602 032**

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 segments:

As at 30 June 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	**169 671**	**32 321 078**	**32 490 749**	**15 058 915**
Amounts due from Central Bank and other banks	0	895 746	895 746	0
Individual customers	8 473	17 702 318	17 710 791	9 261 081
Micro customers	2 070	1 920 339	1 922 409	1 134 777
Large enterprises	0	10 471 822	10 471 822	4 083 170
Small and medium enterprises	0	1 313 280	1 313 280	579 887
Public sector	0	17 573	17 573	0
Other financial assets	159 128	0	159 128	0
Overdue receivables without identified impairment	**3 661**	**1 928 150**	**1 931 811**	**972 644**
Amounts due from Central Bank and other banks	0	19	19	0
Individual customers	1 934	1 638 655	1 640 589	757 155
Micro customers	1 727	176 828	178 555	120 244
Large enterprises	0	101 155	101 155	87 326
Small and medium enterprises	0	11 493	11 493	7 919
Receivables with identified impairment	**1 199 359**	**1 614 683**	**2 814 042**	**962 537**
Individual customers	41 479	940 877	982 356	340 912
Micro customers	46 808	673 806	720 614	342 672
Large enterprises	1 047 000	0	1 047 000	271 162
Small and medium enterprises	53 811	0	53 811	7 791
Other financial assets	10 261	0	10 261	0
Total financial assets, gross	**1 372 691**	**35 863 911**	**37 236 602**	**16 994 096**
Impairment allowances on amounts due from Central Bank and other banks	**0**	**89**	**89**	**0**
Impairment allowances on loans and advances	**833 391**	**1 029 595**	**1 862 986**	**0**
Impairment allowances on other financial assets	**10 261**	**0**	**10 261**	**0**
Total financial assets, net	**529 039**	**34 834 227**	**35 363 266**	**16 994 096**

Risk management (cont.)

As at 31 December 2015	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	**181 557**	**38 398 655**	**38 580 212**	**18 023 420**
Amounts due from Central Bank and other banks	301	2 962 686	2 962 987	13 240
Individual customers	635	17 445 941	17 446 576	9 318 683
Micro customers	3 265	4 319 543	4 322 808	3 453 756
Large enterprises	0	11 742 765	11 742 765	4 416 108
Small and medium enterprises	0	1 906 041	1 906 041	821 633
Public sector	0	21 679	21 679	0
Other financial assets	177 356	0	177 356	0
Overdue receivables without identified impairment	**11 868**	**2 536 922**	**2 548 790**	**1 446 614**
Amounts due from Central Bank and other banks	0	14	14	0
Individual customers	1 487	1 537 285	1 538 772	732 664
Micro customers	1 132	701 899	703 031	497 122
Large enterprises	9 168	188 141	197 309	141 618
Small and medium enterprises	0	109 583	109 583	75 210
Other financial assets	81	0	81	0
Receivables with identified impairment	**1 542 482**	**1 723 154**	**3 265 636**	**1 253 175**
Individual customers	45 534	892 686	938 220	365 703
Micro customers	162 636	682 623	845 259	415 094
Large enterprises	1 234 867	147 845	1 382 712	448 328
Small and medium enterprises	94 520	0	94 520	24 050
Other financial assets	4 925	0	4 925	0
Total financial assets, gross	**1 735 907**	**42 658 731**	**44 394 638**	**20 723 209**
Impairment allowances on amounts due from Central Bank and other banks	**0**	**165**	**165**	**0**
Impairment allowances on loans and advances	**990 121**	**1 053 029**	**2 043 150**	**0**
Impairment allowances on other financial assets	**4 925**	**0**	**4 925**	**0**
Total financial assets, net	**740 861**	**41 605 537**	**42 346 399**	**20 723 209**

Risk management (cont.)

As at 30 June 2015	Exposure amount: Analysed on an individual basis	Exposure amount: Analysed on a collective basis	Exposure amount: Total	Value of collateral reducing the maximum exposure to credit risk
Not overdue receivables without identified impairment	**223 276**	**40 138 339**	**40 361 615**	**18 991 363**
Amounts due from Central Bank and other banks	0	3 212 686	3 212 686	19 954
Individual customers	0	17 649 904	17 649 904	9 405 455
Micro customers	0	4 247 680	4 247 680	3 217 758
Large enterprises	0	13 137 374	13 137 374	5 437 826
Small and medium enterprises	0	1 867 068	1 867 068	910 370
Public sector	0	23 627	23 627	0
Other financial assets	223 276	0	223 276	0
Overdue receivables without identified impairment	**1 141**	**2 413 582**	**2 414 723**	**1 367 472**
Individual customers	0	1 481 116	1 481 116	690 235
Micro customers	0	635 989	635 989	454 705
Large enterprises	0	204 320	204 320	156 197
Small and medium enterprises	0	92 157	92 157	66 335
Other financial assets	1 141	0	1 141	0
Receivables with identified impairment	**1 944 691**	**1 772 315**	**3 717 006**	**1 593 673**
Individual customers	62 186	956 748	1 018 934	361 662
Micro customers	172 261	697 607	869 868	421 724
Large enterprises	1 592 681	117 960	1 710 641	784 331
Small and medium enterprises	113 354	0	113 354	25 956
Other financial assets	4 209	0	4 209	0
Total financial assets, gross	**2 169 108**	**44 324 236**	**46 493 344**	**21 952 508**
Impairment allowances on amounts due from Central Bank and other banks	**0**	**485**	**485**	**0**
Impairment allowances on amounts due from Central Bank and other banks	**1 098 772**	**1 127 378**	**2 226 150**	**0**
Impairment allowances on loans and advances	**4 209**	**0**	**4 209**	**0**
Total financial assets, net	**1 066 127**	**43 196 373**	**44 262 500**	**21 952 508**

Risk management (cont.)

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

30 June 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	**1 426 890**	**427 790**	**2 324**	**33 574**	**41 233**	**1 931 811**
Amounts due from Central Bank and other banks	0	0	4	0	15	19
Individual customers	1 304 736	329 784	256	1 249	4 564	1 640 589
Micro customers	97 346	79 505	1 468	44	192	178 555
Large enterprises	19 158	18 215	45	30 499	33 238	101 155
Small and medium enterprises	5 650	286	551	1 782	3 224	11 493
Total	**1 426 890**	**427 790**	**2 324**	**33 574**	**41 233**	**1 931 811**

31 December 2015	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	**1 937 608**	**557 055**	**2 211**	**3 139**	**48 696**	**2 548 709**
Amounts due from Central Bank and other banks	0	2	0	0	12	14
Individual customers	1 192 833	340 282	1 403	1 731	2 523	1 538 772
Micro customers	551 113	151 744	9	55	110	703 031
Large enterprises	98 279	56 624	42	354	42 010	197 309
Small and medium enterprises	95 383	8 403	757	999	4 041	109 583
Other gross financial assets – past due but not impaired	81	0	0	0	0	81
Total	**1 937 689**	**557 055**	**2 211**	**3 139**	**48 696**	**2 548 790**

30 June 2015	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	**1 777 024**	**566 575**	**4 500**	**15 748**	**49 735**	**2 413 582**
Individual customers	1 152 088	321 636	3 774	3 038	580	1 481 116
Micro customers	471 378	164 452	38	98	23	635 989
Large enterprises	80 224	67 873	349	12 139	43 735	204 320
Small and medium enterprises	73 334	12 614	339	473	5 397	92 157
Other gross financial assets – past due but not impaired	0	0	0	0	1 141	1 141
Total	**1 777 024**	**566 575**	**4 500**	**15 748**	**50 876**	**2 414 723**

Risk management (cont.)

„Forbearance" Practices

In the first half of 2016 there were no significant changes in respect of identification and presentation of forborne exposures.

Forborne exposures				
30 June 2016	**Gross value**	**Impairment allowance**	**Net value**	**Value of received collateral**
Not impaired exposures	**848 942**	**19 390**	**829 552**	**557 145**
Non past due	**533 336**	**6 937**	**526 399**	**344 219**
Individual customers	258 468	1 273	257 196	133 612
Micro customers	122 671	685	121 986	113 880
Large enterprises	149 024	4 800	144 223	94 914
Small and medium enterprises	3 173	179	2 993	1 813
Past due	**315 606**	**12 453**	**303 153**	**212 926**
Individual customers	184 631	4 875	179 756	95 991
Micro customers	64 379	3 009	61 370	50 421
Large enterprises	62 994	4 321	58 673	62 994
Small and medium enterprises	3 602	247	3 355	3 520
Impaired exposuers	**898 732**	**546 005**	**352 727**	**348 200**
Collective basis	**307 532**	**150 797**	**156 736**	**162 314**
Individual customers	156 486	86 863	69 623	68 985
Micro customers	151 046	63 934	87 113	93 329
Individual basis	**591 200**	**395 208**	**195 992**	**185 886**
Individual customers	34 215	17 541	16 674	16 674
Micro customers	26 370	14 643	11 728	11 728
Large enterprises	520 883	355 576	165 307	155 202
Small and medium enterprises	9 731	7 448	2 283	2 282
Total	**1 747 674**	**565 395**	**1 182 279**	**905 345**

Risk management (cont.)

Forborne exposures

31 December 2015	Gross value	Impairment allowance	Net value	Value of received collateral
Not impaired exposures	**953 733**	**28 478**	**925 255**	**590 092**
Non past due	**645 091**	**13 989**	**631 101**	**398 119**
Individual customers	242 071	2 152	239 919	119 837
Micro customers	137 912	678	137 234	119 307
Large enterprises	255 430	10 664	244 766	153 744
Small and medium enterprises	9 677	496	9 182	5 231
Past due	**308 643**	**14 489**	**294 154**	**191 972**
Individual customers	169 774	7 190	162 584	81 761
Micro customers	71 953	2 729	69 224	52 312
Large enterprises	63 302	4 328	58 974	55 580
Small and medium enterprises	3 614	242	3 372	2 320
Impaired exposuers	**1 009 117**	**491 992**	**517 125**	**465 662**
Collective basis	**276 839**	**127 992**	**148 847**	**159 859**
Individual customers	132 592	70 169	62 423	62 377
Micro customers	143 357	57 342	86 015	97 170
Large enterprises	890	481	409	312
Individual basis	**732 277**	**364 000**	**368 278**	**305 803**
Individual customers	22 634	12 328	10 306	8 868
Micro customers	30 674	18 166	12 508	11 743
Large enterprises	659 210	318 736	340 474	280 228
Small and medium enterprises	19 760	14 770	4 990	4 965
Total	**1 962 850**	**520 470**	**1 442 380**	**1 055 754**

Risk management (cont.)

Forborne exposures				
30 June 2015	**Gross value**	**Impairment allowance**	**Net value**	**Value of received collateral**
Not impaired exposures	**1 262 694**	**25 908**	**1 236 787**	**791 584**
Non past due	**1 009 047**	**14 053**	**994 994**	**645 503**
Individual customers	226 787	2 291	224 496	107 199
Micro customers	147 631	880	146 750	120 378
Large enterprises	619 599	10 013	609 586	409 699
Small and medium enterprises	15 030	869	14 161	8 227
Past due	**253 648**	**11 854**	**241 793**	**146 081**
Individual customers	141 446	5 853	135 593	66 704
Micro customers	77 120	4 351	72 769	52 883
Large enterprises	29 716	1 332	28 384	22 304
Small and medium enterprises	5 366	319	5 047	4 191
Impaired exposuers	**1 305 664**	**555 530**	**750 134**	**753 529**
Collective basis	**291 450**	**141 496**	**149 954**	**157 264**
Individual customers	143 069	80 410	62 659	61 044
Micro customers	146 999	60 604	86 395	95 450
Large enterprises	1 382	482	900	771
Small and medium enterprises	1 014 214	414 034	600 180	596 265
Individual basis	**34 717**	**17 102**	**17 615**	**17 615**
Individual customers	32 086	15 804	16 282	16 413
Micro customers	918 278	359 128	559 150	557 180
Large enterprises	29 132	21 999	7 133	5 057
Total	**2 568 358**	**581 437**	**1 986 921**	**1 545 113**

Forborne exposures - gross		**Past due**					
30 June 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	**533 336**	**149 178**	**114 488**	**0**	**28 792**	**23 148**	**848 942**
Individual customers	258 468	120 113	64 490	0	0	28	443 099
Micro customers	122 671	27 704	36 675	0	0	0	187 050
Large enterprises	149 024	0	13 138	0	28 710	21 145	212 018
Small and medium enterprises	3 173	1 361	185	0	81	1 974	6 775
Impaired exposuers	**246 915**	**23 300**	**33 356**	**35 076**	**59 015**	**501 071**	**898 732**
Individual customers	15 192	18 947	21 207	19 705	12 829	102 821	190 701
Micro customers	8 293	4 353	11 808	15 370	11 163	126 429	177 417
Large enterprises	222 976	0	308	0	34 769	262 830	520 883
Small and medium enterprises	454	0	33	0	253	8 992	9 731
Total	**780 251**	**172 478**	**147 844**	**35 076**	**87 806**	**524 218**	**1 747 674**

Risk management (cont.)

Forborne exposures - gross		Past due					
31 December 2015	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	**645 090**	**151 470**	**134 540**	**617**	**865**	**21 152**	**953 733**
Individual customers	242 071	95 548	74 169	0	0	56	411 845
Micro customers	137 912	42 229	29 725	0	0	0	209 866
Large enterprises	255 429	13 302	30 206	0	278	19 516	318 731
Small and medium enterprises	9 677	391	440	617	587	1 580	13 291
Impaired exposuers	**407 573**	**28 698**	**41 723**	**60 107**	**16 265**	**454 751**	**1 009 117**
Individual customers	15 604	11 636	23 671	12 785	3 232	88 300	155 227
Micro customers	9 055	16 149	13 175	8 601	5 578	121 471	174 030
Large enterprises	375 044	162	4 877	34 471	6 807	238 738	660 099
Small and medium enterprises	7 869	751	0	4 250	648	6 242	19 761
Total	**1 052 662**	**180 168**	**176 263**	**60 724**	**17 131**	**475 903**	**1 962 850**

Forborne exposures - gross		Past due					
30 June 2015	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	**1 009 048**	**133 946**	**87 921**	**601**	**12 164**	**19 014**	**1 262 694**
Individual customers	226 787	88 448	52 904	36	30	28	368 232
Micro customers	147 632	43 961	33 158	0	0	0	224 750
Large enterprises	619 599	447	170	316	12 075	16 709	649 315
Small and medium enterprises	15 030	1 090	1 690	250	59	2 278	20 396
Impaired exposuers	**539 988**	**34 954**	**48 714**	**32 777**	**63 078**	**586 152**	**1 305 664**
Individual customers	18 726	14 972	26 096	15 466	28 129	74 397	177 786
Micro customers	13 088	13 821	12 678	13 590	20 442	105 465	179 085
Large enterprises	495 005	5 786	9 493	2 839	11 592	394 946	919 660
Small and medium enterprises	13 168	375	448	881	2 915	11 344	29 132
Total	**1 549 035**	**168 900**	**136 636**	**33 378**	**75 242**	**605 167**	**2 568 358**

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.

Portfolio of loans denominated in CHF

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 35.20% of all loans of the Parent Entity as at the end of the second quarter of 2016, of which 33.01% concerned individual clients and 1.52% 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 30 June 2016 and 2015 and 31 December 2015.

Loans for individuals and micro customers mortgage loans porfolio by denomination currencies	30 June 2016 (f/x rate PLN/CHF 4,0)		31 December 2015 (f/x rate PLN/CHF 3,9)		30 June 2015 (f/x rate PLN/CHF 4,0)	
	Gross amount	Share in portfolio	Gross amount	Share in portfolio	Gross amount	Share in portfolio
Individual customers						
PLN	1 873 108	10%	1 708 456	9%	1 421 662	8%
EUR	3 782 086	20%	3 754 023	20%	3 801 389	20%
CHF	11 707 804	63%	11 629 234	63%	12 256 966	65%
USD	5 604	0%	5 572	0%	4 296	0%
Total	**17 368 602**	**93%**	**17 097 285**	**93%**	**17 484 313**	**93%**
Micro customers						
PLN	802 337	4%	787 747	4%	741 091	4%
EUR	90 488	0%	95 002	1%	104 387	1%
CHF	433 039	2%	454 018	2%	505 049	3%
USD	0	0%	0	0%	0	0%
Total	**1 325 865**	**7%**	**1 336 767**	**7%**	**1 350 526**	**7%**
Total						
PLN	2 675 446	14%	2 496 204	14%	2 162 753	11%
EUR	3 872 574	21%	3 849 025	21%	3 905 776	21%
CHF	12 140 844	65%	12 083 252	66%	12 762 015	68%
USD	5 604	0%	5 572	0%	4 296	0%
Total	**18 694 467**	**100%**	**18 434 051**	**100%**	**18 834 840**	**100%**

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.)

The average LTV weighted using exposure value on the portfolio of loans secured by mortgages denominated in foreign currencies at 30 June 2016 amounted to 127.42 % (as at 31 December 2015 125.69 %) .

The below table presents quality of mortgage loans portfolio analyzed by denomination currencies and sub-portfolios by past due days (DPD) as at 30 June 2016.

Currency	not overdue	Past due (DPD) <1 - 90>	<91 - 180>	above 180	Total
		Individual customers			
PLN	1 292 117	89 918	7 552	483 522	1 873 108
EUR	3 614 072	154 967	8 095	4 952	3 782 086
CHF	10 402 554	1 142 957	59 316	102 977	11 707 804
USD	5 604	0	0	0	5 604
Total	**15 314 347**	**1 387 842**	**74 962**	**591 451**	**17 368 602**
		Micro customers			
PLN	531 428	26 463	6 137	238 309	802 337
EUR	84 342	5 764	76	306	90 488
CHF	376 820	47 172	5 691	3 357	433 039
USD	0	0	0	0	0
Total	**992 591**	**79 398**	**11 904**	**241 972**	**1 325 865**
		Total			
PLN	1 823 545	116 380	13 689	721 831	2 675 446
EUR	3 698 414	160 731	8 171	5 258	3 872 574
CHF	10 779 375	1 190 129	65 006	106 334	12 140 844
USD	5 604	0	0	0	5 604
Total	**16 306 937**	**1 467 240**	**86 866**	**833 423**	**18 694 467**

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.

In August 2016 the Polish president put forward a draft bill relating to refund of selected considerations resulting from loans and advances agreements, called "Swiss franc bill". The draft bill relates to receivables resulting from denominated or index-linked mortgage loans or mortgage advances agreements. The proposal is undergoing consultations, and may be subject to major changes.

The analysis of the draft impact on the consolidated financial statements of the Group in following periods require, among others information on final solutions defined in the draft bill, which is not available before consultation phase on the draft is closed. Due to the fact presented above, an analysis of the impact of the draft bill on the Group's consolidated financial statements could not be finalized at the moment of publication of these interim condensed consolidated financial statements.

Risk management (cont.)

If the draft bill comes into force in the proposed form, it could have a significant negative impact on Group's financial results and capital standing, taking into account Group's significant portfolio of mortgage CHF loans.

39. 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:

30 June 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	**1 433 433**	**1 571 142**	**340 291**	**131 730**	**1 093 377**	**10 965**	**1 576 362**
Inflows	24 864 777	0	16 528 693	2 079 353	6 403 170	12 302	**25 023 518**
Outflows	26 298 210	0	16 868 984	2 211 083	7 496 547	23 266	**26 599 880**
Financial liabilities	**45 618 149**	**45 704 943**	**34 079 083**	**5 287 200**	**6 318 595**	**520 361**	**46 205 239**
Amounts due to banks and other monetary institutions	7 955 563	7 963 171	1 234 972	987 742	5 554 752	237 011	**8 014 476**
including received loans	7 341 830	7 346 587	764 335	964 818	5 541 669	237 011	**7 507 833**
Amounts due to customers	36 444 922	36 522 027	32 488 643	4 276 794	97 301	782	**36 863 520**
Subordinated liabilities	331 896	332 187	3 476	10 428	150 792	253 978	**418 674**
Liabilities from issuance of debt securities	500 000	501 790	7 600	7 600	507 600	0	**522 800**
Other financial liabilities	385 768	385 768	344 393	4 636	8 150	28 591	**385 769**
Guarantee liabilities granted	**2 232 651**	**0**	**0**	**2 232 651**	**0**	**0**	**2 232 651**
Financial liabilities granted	**7 778 774**	**0**	**0**	**3 386 860**	**4 391 914**	**0**	**7 778 774**

Risk management (cont.)

31 December 2015							
			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	**1 540 544**	**1 478 611**	**200 365**	**169 544**	**949 396**	**10 027**	**1 329 332**
Inflows	30 934 565	0	22 298 619	2 701 376	6 227 346	11 747	**31 239 088**
Outflows	32 475 109	0	22 498 984	2 870 920	7 176 742	21 774	**32 568 419**
Financial liabilities	**53 550 160**	**53 647 138**	**35 892 979**	**9 989 394**	**8 096 496**	**943 890**	**54 922 759**
Amounts due to banks and other monetary institutions	13 083 000	13 088 797	2 753 474	4 064 115	6 642 775	263 536	**13 723 900**
including received loans	12 608 303	12 610 007	2 264 391	4 031 011	6 629 628	263 536	**13 188 567**
Amounts due to customers	37 676 274	37 762 146	32 680 607	5 381 280	70 598	295	**38 132 780**
Subordinated liabilities	724 455	724 789	9 526	28 577	247 728	679 666	**965 496**
Liabilities from issuance of debt securities	1 753 700	1 758 677	182 813	471 685	1 133 354	0	**1 787 852**
Other financial liabilities	312 731	312 729	266 559	43 738	2 042	392	**312 731**
Guarantee liabilities granted	**1 882 927**	**0**	**0**	**1 882 927**	**0**	**0**	**1 882 927**
Financial liabilities granted	**8 123 825**	**0**	**83 336**	**3 637 258**	**4 403 231**	**0**	**8 123 825**

30 June 2015							
			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	**1 643 799**	**1 783 290**	**263 194**	**316 052**	**945 200**	**214 271**	**1 738 717**
Inflows	26 405 673	0	13 235 592	6 989 123	5 049 651	1 329 332	**26 603 698**
Outflows	28 049 472	0	13 571 392	7 305 175	5 994 851	1 543 603	**28 415 021**
Financial liabilities	**50 421 111**	**50 493 485**	**33 039 192**	**8 307 755**	**7 163 756**	**3 351 715**	**51 862 418**
Amounts due to banks and other monetary institutions	13 494 197	13 496 903	2 647 897	2 641 304	6 210 691	3 098 206	**14 598 098**
including received loans	11 293 541	11 295 865	402 824	2 629 785	6 165 370	3 097 343	**12 295 322**
Amounts due to customers	35 091 602	35 155 411	30 115 416	5 151 096	14 475	613	**35 281 600**
Subordinated liabilities	314 580	314 862	3 695	11 086	153 356	252 184	**420 321**
Liabilities from issuance of debt securities	1 134 048	1 139 625	118 739	329 007	727 968	0	**1 175 715**
Other financial liabilities	386 684	386 684	153 444	175 263	57 265	712	**386 684**
Guarantee liabilities granted	**1 884 830**	**0**	**0**	**1 884 830**	**0**	**0**	**1 884 830**
Financial liabilities granted	**7 717 202**	**0**	**31 132**	**3 737 722**	**3 948 347**	**0**	**7 717 202**

Risk management (cont.)

40. Other market risks

40.1. 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.

40.2. 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.

Value at risk limit	30 June 2016				31 December 2015	30 June 2015
	Min.	Max.	Average	As at 30 June 2016	As at 31 December 2015	As at 30 June 2015
Currency risk	20	663	84	98	221	170

40.3. 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 the financial position and off balance sheet commitments, so that the maximum value of net assets and net interest income can be achieved.

Risk management (cont.)

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.

	30 June 2016				31 December2015				30 June 2015			
	Min.	Max.	Average	As at 30 June	Min.	Max.	Average	As at 31 December	Min.	Max.	Average	As at 30 June
Bank book												
<1Y	27	762	216	166	67	3 176	2 154	2 111	108	2 243	1 393	1 581
1 – 3Y	1	258	73	167	5	630	106	93	5	381	67	6
>3Y	17	62	38	24	4	643	66	92	7	478	56	9
Trading book												
<1Y	0	31	11	4	0	184	46	24	0	184	63	92
1 – 3Y	0	65	16	7	2	259	79	109	14	131	54	23
>3Y	0	81	30	37	1	201	70	58	1	118	39	4

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.

	30 June 2016				31 December 2015	30 June 2015
	Min.	Max.	Average	As at 31 March	As at 31 December	As at 31 March
Banking book	923	2 046	1 319	1 107	4 849	2 711
Trading book	177	1 061	428	843	357	459

Risk management (cont.)

40.4. 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 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.