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

Interim condensed consolidated financial statements for the period from 1 January 2017 to 30 June 2017
RAIFFEISEN BANK POLSKA S.A. GROUP

The Management Board presents the interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Group for the period from 1 January 2017 to 30 June 2017

Piotr Czarnecki	President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Maciej Bardan	First Vice-President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Jan Czeremcha	Vice-President of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Witold Broniszewski	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Łukasz Januszewski	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Piotr Konieczny	Member of the Management Board	Signed on the Polish original ....
name and surname	*position/function*	*signature*
Werner Georg Mayer	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, 9 August 2017

Table of contents

Table of contents (cont.)

Consolidated statement of profit or loss

	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Continuing operations			
Interest income		783 051	782 882
Interest expense		-236 611	-296 578
Net interest income	5	**546 440**	**486 304**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items	6	-89 551	-54 917
including Proceeds from sale of receivables and other		61 836	157
Fee and commission income		324 752	335 488
Fee and commission expense		-34 197	-40 360
Net fee and commission income	7	**290 555**	**295 128**
Net income from financial instruments measured at fair value and net foreign exchange result	8	9 972	109 708
General administrative expenses	9	-565 361	-607 048
Other operating income	10	20 867	7 368
Other operating expenses	10	-142 849	-33 696
Tax on financial institutions		-69 298	-68 509
Dividend income		167	0
Profit before tax		**942**	**134 339**
Income tax expense	11	-30 635	-64 573
Net profit/loss from continuing operations		**-29 693**	**69 766**
Net profit from discontinued operations	12	**0**	**11 720**
Net profit/loss		**-29 693**	**81 486**
Profit/loss attributable to the equity holders of the Parent Entity, including:		**-29 693**	**81 486**
Loss from continuing operations		**-29 693**	**69 766**
Profit from discontinued operations		**0**	**11 720**
Weighted average number of ordinary shares (in units)	28	170 870 089	248 260
Profit/loss attributable to the Parent Entity equity holders per one ordinary share (in PLN)		0	328
Profit/loss from continuing operations per ordinary share (in PLN)		0	281
Profit/loss from discontinued operations per ordinary share (in PLN)		0	47
Weighted average number of diluted shares (in units)	28	170 870 089	248 260
Profit/loss attributable to the Parent Entity equity holders per diluted share (in PLN)		0	328
Profit/loss from continuing operations per diluted share (in PLN)		0	281
Profit/loss from discontinued operations per diluted share (in PLN)		0	47

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Net profit/loss from continuing operations		**-29 693**	**69 766**
Net profit from discontinued operations		**0**	**11 720**
Other taxable income that may be reclassified to profit or loss, including:		**26 943**	**-26 346**
Valuation of cash-flow hedge derivatives, gross	28	7 039	19 536
Income tax on cash-flow hedge derivatives	28	-1 338	-3 712
Valuation of available for sale financial assets, gross	28	26 225	-52 062
Income tax on available for sale financial assets	28	-4 983	9 892
Total comprehensive income		**-2 750**	**55 140**
Total comprehensive income attributable to the Parent Entity shareholders		**-2 750**	**55 140**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of financial position

Assets	Note	As at 30 June 2017	As at 31 December 2016	As at 30 June 2016
Cash and balances with Central Bank	13	2 062 068	1 731 869	1 379 764
Amounts due from banks	14	200 246	334 563	333 536
Financial assets held for trading	17	2 773 188	8 047 342	8 883 562
Derivative financial instruments	15	422 666	466 709	589 985
Investment securities	18	10 182 054	7 962 554	7 547 891
Loans and advances to customers	19	33 485 732	33 864 497	34 308 462
Intangible assets	20	261 033	383 083	506 414
Property, plant and equipment	21	93 034	118 228	131 396
Deferred tax assets		111 385	127 668	88 190
Other assets	22	233 239	221 460	247 485
Total assets		**49 824 645**	**53 257 973**	**54 016 686**

Liabilities and equity	Note	As at 30 June 2017	As at 31 December 2016	As at 30 June 2016
Amounts due to banks and other monetary institutions	23	7 016 675	7 433 406	7 963 171
Derivative financial instruments	15	1 041 232	1 546 166	1 571 142
Amounts due to customers	24	33 745 904	36 329 411	36 522 027
Subordinated liabilities	25	317 228	332 096	332 187
Liabilities from debt securities issued	26	501 830	501 830	501 790
Other liabilities		674 418	541 690	491 387
Current tax liabilities		6 181	63 963	28 437
Provisions	27	161 245	146 729	162 089
Total liabilities		**43 464 713**	**46 895 291**	**47 572 231**
Equity attributable to shareholders of the Parent Entity		**6 359 932**	**6 362 682**	**6 444 455**
Share capital	28	2 256 683	2 256 683	2 256 683
Supplementary capital		2 287 790	2 287 607	2 287 790
Other capital and reserves	28	1 059 432	1 002 489	1 017 531
Retained earnings	28	756 027	815 903	882 451
Total equity		**6 359 932**	**6 362 682**	**6 444 455**
Total liabilities and equity		**49 824 645**	**53 257 973**	**54 016 686**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital	Supplementary capital	Other capital and reserves	Retained earnings: Accumulated profit	Retained earnings: Net result for the period	Total equity attributable to owners of the Parent Entity	Total equity
As at 1 January 2017		**2 256 683**	**2 287 607**	**1 002 489**	**801 148**	**14 755**	**6 362 682**	**6 362 682**
Valuation of available for sale financial assets, net		0	0	21 242	0	0	21 242	21 242
Valuation of cash-flow hedge derivatives, net		0	0	5 702	0	0	5 702	5 702
Net loss for the period		0	0	0	0	-29 693	-29 693	-29 693
Total comprehensive income		**0**	**0**	**26 943**	**0**	**-29 693**	**-2 750**	**-2 750**
Transfer of net result to retained earnings		0	0	0	14 755	-14 755	0	0
Transactions with owners		**0**	**183**	**30 000**	**-30 183**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	30 000	-30 000	0	0	0
Transfer of net result to supplementary capital		0	183	0	-183	0	0	0
As at 30 June 2017	**28**	**2 256 683**	**2 287 790**	**1 059 432**	**785 720**	**-29 693**	**6 359 932**	**6 359 932**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of changes in equity (cont.)

	Note	Share capital	Supplementary capital	Other capital and reserves	Retained earnings: Accumulated profit	Retained earnings: Net result for the period	Total equity attributable to owners of the Parent Entity	Total equity
As at 1 January 2016		**2 256 683**	**2 370 746**	**1 018 927**	**556 781**	**186 178**	**6 389 315**	**6 389 315**
Valuation of available for sale financial assets, net		0	0	-42 170	0	0	-42 170	-42 170
Valuation of cash-flow hedge derivatives, net		0	0	15 824	0	0	15 824	15 824
Net profit for the period		0	0	0	0	81 486	81 486	81 486
Total comprehensive income		**0**	**0**	**-26 347**	**0**	**81 486**	**55 140**	**55 140**
Transfer of net result to retained earnings		0	0	0	186 178	-186 178	0	0
Acquisition of shares fromnon-controlling interests		0	0	633	-633	0	0	0
Changes in the Group structure		0	-137 191	-682	137 873	0	0	0
Transactions with owners		**0**	**54 235**	**25 000**	**-79 234**	**0**	**0**	**0**
Transfer of net result to general banking risk reserve		0	0	25 000	-25 000	0	0	0
Transfer of net result to statutory supplementary capital		0	54 235	0	-54 235	0	0	0
As at 30 June 2016	**28**	**2 256 683**	**2 287 790**	**1 017 531**	**800 965**	**81 486**	**6 444 455**	**6 444 455**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of cash flows

Operating activities	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Profit before tax		**942**	**189 495**
Adjustments:		**-249 896**	**326 028**
Depreciation and amortization	9	36 579	60 919
Impairment of tangible and intangible fixed assents and investement securities		17 573	6 493
Unrealized foreign exchange differences		-383 340	252 997
(Gains) on sale of discontinued operations		0	-33 751
Transfer of interest and dividend from investing and financing activities		-34 778	37 706
Loss on sale, liquidation of tangible and intangible fixed assets		114 078	8 596
Other adjustments		-9	-6 932
Changes in operating assets and liabilities		**2 939 621**	**2 937 461**
Interbank placements, loans and advances to other banks		51 070	849 204
Financial assets held for trading		5 247 931	3 620 673
Derivative financial instruments		-537 107	-9 775
Loans and advances to customers		-170 091	-1 272 323
Other assets		-12 038	-37 065
Amounts due to banks and other monetary institutions		255 452	240 070
Amounts due to customers		-2 389 284	-908 729
Other liabilities		132 733	137 566
Provisions		14 532	10 865
Dividends received		167	0
Income tax paid/received		-78 244	-137 531
Interest received		671 069	761 813
Interests paid		-246 569	-317 306
Net cash flow from operating activities		**2 690 667**	**3 452 985**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

Consolidated statement of cash flows (cont.)

Investing activities	Note	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Proceeds from sale of investment securities		1 899 526	666 451
Proceeds from sale of property, plant and equipment and intangible fixed assets		61	333
Proceeds from sale of shares in subsidiaries		0	695 000
Purchase of investment securities		-4 013 508	-4 370 199
Outflows from purchase of property, plant and equipment and intangible fixed assets		-16 852	-46 943
Decrease in cash and cash equivalents due to changes in Group structure		0	-419 236
Net cash flow from investing activities		**-2 130 773**	**-3 474 594**
Financing activities			
Inflows from subordinated liabilities and long-term bank loans		0	2 086 977
Outflows from repayment of subordinated liabilities and long-term bank loans		-294 819	-3 513 830
Outflows from repayment of interest on debt securities issued		-7 710	-7 730
Net cash flow from financing activities		**-302 529**	**-1 434 583**
Net decrease in cash and cash equivalents		**257 365**	**-1 456 192**
Cash and cash equivalents at beginning of the period	30	1 884 977	2 913 206
Cash and cash equivalents at the end of the period	**30**	**2 142 342**	**1 457 014**

Notes presented on pages 12- 86 are an integral part of the interim condensed consolidated financial statements.

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 by the District Court for the capital city of Warsaw, XII Commercial Department of National Court Register.

The Raiffeisen Bank Polska S.A. Group is composed of the following entities as of 30 June 2017:

Raiffeisen Bank Polska S.A.	SUBJECT OF ACTIVITY
Raiffeisen Solutions Sp. z o o (100%)	Brokerage activity connected with securities market and commodities exchange of – currency exchange activity
Raffeisen Financial Services Polska Sp. z o.o. (99.99%)	Financial agency for sales of banking products of Raiffeisen Bank Polska S.A.
Raiffeisen Investment Polska Sp. z o.o. (100,00%)	Financial advisory services
Raiffeisen TFI S.A. (100%)	Management of Investment Funds
Leasing Poland Sp. z o.o. (100%)	Leases of fixed assets, providing financial services to customers, including loans

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

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

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

The Group operates in retail banking, corporate banking and investment banking as well as in factoring in Poland and employed 4 866 employees as at 30 June 2017 (5 061 employees as at 31 December 2016).

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

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

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

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

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

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

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

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

Approval of these interim condensed consolidated financial statements

The Parent Entity's Management Board approved these interim condensed consolidated financial statements on 9 August 2017.

Shareholders of the Parent Entity

The majority shareholder of Raiffeisen Bank Polska S.A. is Raiffeisen Bank International AG, which was created from separated areas of Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen International Bank-Holding AG (RI). Raiffeisen Regional Banks holds a 58.8% stake in RBI as at 30 June 2017. The rest of the equity is in free float on the Vienna Stock Exchange, where RBI is listed since 2005. RBI is the Parent Entity of Raiffeisen Bank Polska SA and holds a 100% share.

Changes within the Group structure in the current reporting period

In the period from 1 January 2017 till 30 June 2017 there were no changes within the Group structure.

As at 30 June 2017 the Parent Entity's Management Board consisted of:

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

As at 30 June 2017 the Parent Entity's Supervisory Board consisted of:

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

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

In the period from 1 January 2017 to 30 June 2017 the following changes in the Management and Supervisory Boards took place.

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

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

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

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

- On 29 April 2017, the Bank's Supervisory Board passed a resolution appointing Werner Georg Mayer as a member of the Management Board supervising the management of operations area and IT as of 1 June 2017. Earlier, Polish Financial Supervision Authority (PFSA) informed the Bank that "(…) appointment of the member of the Management Board supervising the management of operations area and IT does not require PFSA's approval, as long as the area of the supervision does not include significant risk for the Raiffeisen Bank Polska S.A. activity".

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 2017 and for the period from 1 January 2017 to 30 June 2017.

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

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

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

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

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

2.2. Statement of compliance

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

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

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

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

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

Standard/Interpretation	Issue or publication date	Date of coming into force	Endorsed by the European Union	Description of changes
IFRS 9 Financial instruments (2014)	July 2014	Financial year starting on or after 1 January 2018	Yes	The new standard replaces the IAS 39 Financial Instruments: recognition and measurement guidelines on classification and measurement of financial assets, including impairment guidelines. IFRS 9 also eliminates the categories of financial assets currently presented in IAS 39: held-to-maturity, available for sale and loans and advances. According to the new standard's requirements, at the time of initial recognition, financial assets should be classified in one of the 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. A component of financial assets is classified to the category measured after initial recognition at amortized cost if the following two conditions are met: • assets are held within a business model which aim is to hold assets 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. When the above conditions are not met (as is the case of equity instruments of other entities, for example), the financial asset is measured at fair value. Profits and losses on the measurement of financial assets measured at fair value are recognized in a result of the current period, except for assets held as part of a business model designed to hold assets both for contractual cash flow and to be sold - for those assets valuation losses are recognized in other comprehensive

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
				income. In addition, if an investment in an equity instrument is not held for trading, IFRS 9 gives a choice to make an irrevocable decision on the measurement of such financial instrument at initial recognition at fair value through other comprehensive income. This election can be made for each instrument separately. Amounts recognized in other comprehensive income in connection with the above valuation may not be reclassified in the subsequent periods to the result of current period. The new standard retains almost all of the requirements of IAS 39 in the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. IFRS 9 requires, however, that a change in the fair value relating to the credit risk of a financial liability designated at initial recognition to be measured at fair value through profit or loss is presented in other comprehensive income. Only the remaining part of the gain or loss from the measurement to fair value is to be recognized as a result of the current period. In case, however, the application of this requirement resulted in incompatibility of revenues and expenses, or if the financial liability resulted from loan commitments or financial guarantee contracts, the entire change in fair value should be recognized in the profit or loss of the current period. As regards the estimation of the impairment of financial assets, IFRS 9 replaces the "loss incurred" model in IAS 39 with the "expected loss" model, which means that the event causing the loss would not have to precede the recognition and creation of the impairment allowance. The new rules are designed to prevent situations where impairment is created too late and in insufficient amount.

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 short, the expected loss model uses two approaches to estimate loss according to which the loss is determined on the basis of: • credit loss expected in 12 months, or • Life-time expected loss. The approach that will be followed, in case of particular component of assets, depends on whether there has been a significant increase in credit risk since the initial recognition. In the event that the credit risk associated with financial assets does not increase significantly compared to its initial recognition, the impairment loss of these financial assets will be equal to the expected loss over the 12-month period. If, however, a significant increase in credit risk occurs, the impairment loss of these financial assets will be equal to the expected loss over the life of the instrument, thereby increasing the recognized impairment loss. The Standard assumes that if there are no opposing arguments, there is a sufficient basis for recognizing a credit loss expected to be incurred due to a 30 day backlog. As a result of analysis in relation to classification of financial assets, Bank assessed that: - loans and advances to customers and banks, currently presented in loans and advances category according to IAS 39, in majority will be valued at amortized cost and classified as assets held according to business model which aim is to collect contractual cash flows according to IFRS 9; - debt securities currently classified as held to maturity, will be valued at amortized cost and classified as assets held according to business model which aim is to collect contractual cash flows according to IFRS 9;

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
				- securities currently classified and available for sale, in majority will be valued at fair value through other comprehensive income and classified according to business model which aim is to collect both contractual cash flows or to sale according to IFRS 9; - securities currently classified as trading assets will be valued at fair value through profit or loss according to IFRS 9; - derivative financial instruments currently classified as trading assets will be valued at fair value through profit or loss according to IFRS 9; - equity investments, currently classified as available for sale, will be valued at fair value through profit or loss or other comprehensive income (the Bank will make final decision in relation to irrevocable election to value equity investments at fair value through other comprehensive income at a later stage). According to IAS 27 equity investments in subordinated companies will be further valued at cost. According to the Bank's assessment introduction of the new standard will not impact classification of financial liabilities, because IFRS 9 does not assume significant changes in the classification of financial liabilities compared to IAS 39. At the date of the preparation of these consolidated financial statements, the Group did not have reliable and precise estimation of impact of changes being result of implementation of IFRS 9 in relation to calculation of impairment of financial assets.
IFRS 14 Regulatory deferral accounts	January 2014	Financial year starting on or after 1 January 2016	No	This interim standard: - permits first time adopters of IFRS to continue to use its previous GAAP to account for regulatory deferral account balances both on initial adoption of IFRS and in subsequent financial statements

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
				- requires entities to present regulatory deferral account balances and movements therein as separate line items on the face of the financial statements - requires specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with this interim Standard. Due to nature of Group's activity IFRS 14 does not apply.
IFRS 15 *Revenue from Contracts with Customers and Amendements to IFRS 15: Effective date of IFRS 15*	May 2014/ September 2015	Financial year starting on or after 1 January 2018	Yes	The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized: - Over time, in a manner that depicts the entity's performance; or - At a point in time, when control of the goods or services is transferred to the customer. Included in the Standard are new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. As at the date of the consolidated financial statements reliable estimation of the standard impact was not 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
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*)	September 2014	The effective date was deferred indefinitely	No	The Amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. While IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture, IFRS 10 requires full profit or loss recognition on the loss of control of subsidiary. The Amendments require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business Combinations* (whether it is housed in a subsidiary or not). A partial gain or loss (only to the extent of unrelated investors' interests) shall be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Group does not expect the Amendments to have a material impact on its consolidated financial statements once applied.
IFRS 16 Leases	January 2016	Financial year starting on or after 1 January 2019	No	IFRS16 replaces IAS17 Leases and connected with this standard interpretations. In relation to lessees new Standard eliminates existing currently division for finance and operating leases. Accounting for operating leases in the statements of financial position would result in recognition of new asset – right to use leased item – and new liability – liability to pay for the leasing. Rights to use assets under leasing would be amortized and from liabilities interest accruals would be calculated. It would result in recognition of higher expenses in the initial phase of the leasing, even when parties agreed on constant yearly payments. Lessors accounting for leasing in majority of cases would not change as division for operating and finance leasing would be valid.

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

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

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

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
Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration	December 2016	Financial year starting on or after 1 January 2018	No	The Interpretation presents instructions how to determine the date of the transaction and thus which exchange rate should be used to translate, on initial recognition, the advance consideration is paid or received. The Interpretation relates both to transactions generating income and initial recognition of transactions made in foreign currencies. The above described changes are not expected to have a significant impact on Group's consolidated financial statements.
Amendments to IAS 40 Transfers of Investment Property	December 2016	Financial year starting on or after 1 January 2018	No	According to the proposed Amendments, the entity transfers asset to or from investment property when, and only when there was a change in use of this asset. It was proposed to remove the exhaustive list of situations when transfer is required currently presented in the Standard and include the non-exhaustive list of examples of evidence of change in use. The above described changes are not expected to have a significant impact on Group's consolidated financial statements.
IFRS 17 Insurance contracts	May 2017	Financial year starting on or after 1 January 2021	No	The purpose of IFRS 17 is to introduce uniform, formal accounting principles (valuation and presentation) in relations to all types of insurance contracts. According to IFRS 17 insurance obligations are valued at current value of liabilities realization. IFRS 17 supersedes IFRS 4, introduces as temporary standard in the year 2004. The above described changes are not expected to have a significant impact on Group's consolidated 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
IFRIC 23	June 2017	Financial year starting on or after 1 January 2019		The interpretation should be applied to the determination of taxable profit/loss, tax bases, unused tax losses, when there is uncertainty over income tax treatments under IAS 12. The above described changes are not expected to have a significant impact on Group's consolidated financial statements.

In conclusion, the Management of the Parent Entity does not expect the introduction of these standards and interpretations to have any material impact on the Group'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 Parent Entity exercises control over its core business operations, control exists when the Bank at the same time:

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

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

2.5. Discontinued operations

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

3. Significant estimates

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

Notes to the 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 2016, considering reasons and sources of uncertainties at the reporting date.

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

3.1. Impairment of the loan portfolio

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

The information on the sensitivity analysis in respect of impairment allowances for amounts due from customers with recognized impairment losses is presented in the table below. The estimate has been performed for the corporate portfolio of loans and advances for which impairment allowances were recognized based on an individual analysis of future cash flows related to repayment and recovery from collateral. As at 30 June 2017 the base value of the allowances calculated under the individual assessment model for balance and off balance sheet exposures is PLN 463 100 thousand, and the base value of discounted recoveries from collateral and cash repayments is PLN 1 123 339 thousand (as at 31 December 2016 respectively: PLN 552 269 thousand and PLN 1 186 875 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 2017			
No change in inflows from collateral	463 100	454 777	472 383
Inflows from collateral increased by 10%	435 938	427 615	
Inflows from collateral decreased by 10%	499 984		509 819
As at 31 December 2016			
No change in inflows from collateral	552 269	545 734	565 506
Inflows from collateral increased by 10%	522 488	517 093	
Inflows from collateral decreased by 10%	601 263		617 239
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

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

Due to decision to perform digital evolution and optimization of the Bank in the years 2017 – 2019, as at 31 March 2017 the Group performed impairment test of the intangible asset recognized as a result of an acquisition, i.e. the brand "Polbank". For the purpose of the impairment test the cash generating unit has been determined at the level of the retail segment of the Bank.

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

For the calculation of the discount rate the Capital Asset Pricing Model was used with risk-free interest rate, beta-coefficient for the banking sector and premium for the capital risk. The total discount rate was estimated at 10.65% nominal rate (as at 31 December 2016 amounted to 10.04%).

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

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

Notes to the consolidated statement of profit or loss

4. Segment information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities unallocated consist of:

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

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

For the financial period from 1 January 2017 to 30 June 2017	Continuing operations						
	Corporate Banking	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Management & Other Activities	Total continuing operations	Discontinued operations	Total
Interest Income	233 121	326 700	18 396	204 834	783 051	0	783 051
Interest Expense	-35 163	-128 168	-30 450	-42 830	-236 611	0	-236 611
Net Interest Income (external)	**197 958**	**198 531**	**-12 054**	**162 004**	**546 440**	**0**	**546 440**
Net Interest Income (internal)	-16 693	55 135	25 948	-64 390	0	0	0
Net Interest Income	**181 265**	**253 666**	**13 894**	**97 615**	**546 440**	**0**	**546 440**
Non-interest income (external)	147 145	119 635	59 502	-25 589	300 694	0	300 694
Operating Income	**328 410**	**373 301**	**73 396**	**72 026**	**847 134**	**0**	**847 134**
General administrative expenses, including:	-154 215	-336 752	-36 481	-37 912	-565 361	0	-565 361
Depreciation	-8 900	-25 723	-1 738	-219	-36 580	0	-36 580
Tax on financial institutions	-19 853	-33 928	-4 392	-11 125	-69 298	0	-69 298
Provisioning for impairment losses	-6 198	-83 371	-49	67	-89 551	0	-89 551
Other operating result	0	8 883	2 589	-133 455	-121 982	0	-121 982
Profit/loss before tax	**148 144**	**-71 867**	**35 063**	**-110 400**	**942**	**0**	**942**
Taxes					-30 635		-30 635
Net loss					**-29 693**	**0**	**-29 693**
Loss attributable to the equity holders of the Parent Entity					**-29 693**	**0**	**-29 693**
Allocated assets	12 549 299	21 091 607	2 300 777	12 761 605	48 703 288	0	48 703 288
Unallocated assets							1 121 357
Total assets	**12 549 299**	**21 091 607**	**2 300 777**	**12 761 605**	**48 703 288**	**0**	**49 824 645**
Allocated liabilities	11 493 235	19 760 313	3 083 750	8 285 571	42 622 869	0	42 622 869
Unallocated liabilities							841 844
Total liabilities	**11 493 235**	**19 760 313**	**3 083 750**	**8 285 571**	**42 622 869**	**0**	**43 464 713**

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

For the financial period from 1 January 2017 to 30 June 2017	Continuing operations						
	Corporate Banking	Retail Banking	Financial Institutions & Capital Markets	Asasets & Liabilities Management & Other Activities	Total continuing operations	Discontinued operations	Total
Interest Income	235 315	320 426	18 514	208 628	782 882	0	**782 882**
Interest Expense	-59 165	-147 274	-40 114	-50 026	-296 578	0	**-296 578**
Interest Income (external)	**176 150**	**173 151**	**-21 600**	**158 602**	**486 304**	**0**	**486 304**
Interest Income (internal)	6 763	56 918	32 861	-96 542	0	0	**0**
Net Interest Income	**182 913**	**230 069**	**11 262**	**62 060**	**486 304**	**0**	**486 304**
Non-interest income	171 369	184 844	65 834	-17 211	404 836	0	**404 836**
Operating Income	**354 282**	**414 913**	**77 096**	**44 850**	**891 140**	**0**	**891 140**
General administrative expenses, including:	-158 334	-379 434	-31 002	-38 277	-607 048	0	**-607 048**
Depreciation	-9 426	-41 783	-1 728	-267	-53 204	0	**-53 204**
Tax on financial institutions	-20 000	-30 682	-4 592	-13 234	-68 509	0	**-68 509**
Provisioning for impairment losses	5 097	-59 700	70	-384	-54 917	0	**-54 917**
Other operating result	0	2 239	647	-29 213	-26 327	0	**-26 327**
Profit/loss before tax	**181 044**	**-52 665**	**42 219**	**-36 259**	**134 339**	**0**	**134 339**
Taxes					-64 573	0	**-64 573**
Net profit/loss					**69 766**	**11 720**	**81 486**
Loss attributable to the equity holders of the Parent Entity					**69 766**	**11 720**	**81 486**
Allocated assets	12 378 825	22 162 745	1 801 949	16 699 681	53 043 200	0	**53 043 200**
Unallocated assets							**973 486**
Total assets	**12 378 825**	**22 162 745**	**1 801 949**	**16 699 681**	**53 043 200**	**0**	**54 016 686**
Allocated liabilities	14 238 212	19 380 069	3 530 524	9 741 513	46 890 317	0	**46 890 317**
Unallocated liabilities							**681 914**
Total liabilities	**14 238 212**	**19 380 069**	**3 530 524**	**9 741 513**	**46 890 317**	**0**	**47 572 231**

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

The Group operates only on the domestic market.

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

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

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

5. Net interest income

Interest income	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Loans and advances to banks	10 302	9 820
Loans and advances to customers	551 487	545 488
Financial assets held for trading	46 675	72 644
Derivative hedging instruments	85 627	95 267
Reverse repo instruments	3 438	5 112
Investment securities	85 522	54 550
Total	**783 051**	**782 882**

Interest expense		
Deposits from banks	-4 435	-6 534
Deposits from customers	-176 563	-223 490
Derivative hedging instruments	-2 441	-2 602
Repo intruments	-2 261	-3 594
Loans and advances received (including subordinated loans)	-43 176	-52 663
Debt securities issued	-7 735	-7 695
Total	**-236 611**	**-296 578**

Net interest income (including):	**546 440**	**486 304**
Total interest income from financial assets other than designated at fair value through profit or loss	650 749	614 951
Total interest expense related to financial assets other than designated at fair value through profit or loss	-234 170	-293 976

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

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

For the financial period from 1 January 2017 to 30 June 2017	At the beginning of the period	Increases		Decreases					At the end of the period	Proceeds from sale of receivables and other	Impact on the result for the period
		Impairment allowance recognised	Foreign exchange differences	Impairment allowance reversal	Write-off of assets	Sale of receivable	Reclassification	Foreign exchange differences			
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on an individual basis											
Amounts due from banks	60	3	0	-58	0	0	0	-4	1	0	**55**
Amounts due from individuals	13 256	29 853	0	-28 796	0	0	-112	-3 839	10 362	0	**-1 057**
Amounts due from micro customers	16 756	5 109	0	-3 536	0	0	112	-852	17 589	0	**-1 573**
Amounts due from large enterprises	548 400	74 856	0	-20 881	0	-121 611	0	-24 642	456 121	55 548	**1 573**
Amounts due from SME	42 661	10 131	0	-2 154	-4 469	0	0	-88	46 081	0	**-7 977**
Off-balance sheet items	25 553	11 277	0	-16 005	0	0	0	-756	20 069	0	**4 728**
Investment securities	27 159	0	0	-4 196	0	0	0	0	22 963	0	**4 196**
Total	**673 845**	**131 229**	**0**	**-75 626**	**-4 469**	**-121 611**	**0**	**-30 181**	**573 186**	**55 548**	**-55**
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on a collective basis (including IBNR)											
Amounts due from banks	40	82	0	-31	0	0	0	-3	88	0	**-51**
Amounts due from individuals	677 884	196 934	0	-146 079	0	-3 374	-179	-23 378	701 808	4 803	**-46 052**
Amounts due from micro customers	352 139	76 738	7 966	-43 912	0	-10 998	310	0	382 243	1 484	**-31 342**
Amounts due from large enterprises	61 751	28 218	0	-20 114	0	0	-131	-2 056	67 668	0	**-8 104**
Amounts due from SME	4 004	2 700	0	-2 031	0	0	0	-36	4 637	0	**-669**
Amounts due from the public sector	449	217	0	-88	0	0	0	0	578	0	**-129**
Off-balance sheet items	5 443	5 125	0	-1 975	0	0	0	-99	8 494	0	**-3 150**
Total	**1 101 710**	**310 014**	**7 966**	**-214 230**	**0**	**-14 372**	**0**	**-25 572**	**1 165 516**	**6 287**	**-89 497**
Total allowances and provisions	**1 775 555**	**441 243**	**7 966**	**-289 856**	**-4 469**	**-135 983**	**0**	**-55 753**	**1 738 702**	**61 836**	**-89 551**

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

For the financial period from 1 January 2016 to 30 June 2016	At the beginning of the period	Increases		Decreases					At the end of the period	Proceeds from sale of receivables	Impact on the result for the period	
		Impairment allowance recognised	Foreign exchange differences	Impairment allowance reversal	Write-off of assets	Sale of receivable	Reclassification	Foreign exchange differences			Discontinued operations	Continuing operations
Net provisioning for impairment losses on financial assets and provisions for off-balance sheet items determined on an individual basis												
Amounts due from individuals	21 471	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.)

7. Net fee and commission income

Fee and commission income	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
From transaction margin on client's foreign exchange dealings and derivatives	130 171	140 541
From investment and insurance products	47 037	48 322
From debit and credit cards	40 351	38 220
From handling of cash and bank transfers	28 317	28 820
From loans and advances, not being part of the effective interest rate	23 511	29 493
From maintaining of bank accounts	20 194	19 908
From custody and brokerage activities	19 606	15 450
From handling of letters of credit and guarantees	14 454	13 782
Other	1 110	951
Total	**324 752**	**335 488**
Fee and commission expense		
From payment cards and atm transactions	-10 621	-15 285
From handling of cash and bank transfers	-6 906	-7 711
From transaction margin on client's foreign exchange dealings and derivatives	-4 516	-5 180
From investment and insurance products	-4 400	-3 691
From loans and advances, not being part of the effective interest rate	-3 685	-3 711
From custody and brokerage activities	-2 213	-2 027
From maintaining of bank accounts	-1 312	-1 980
Other	-544	-774
Total	**-34 197**	**-40 360**
Net fee and commission income (including):	**290 555**	**295 128**
Total commission income related to financial assets other than designated at fair value through profit or loss	174 975	179 497
Total commission expense related to financial assets other than designated at fair value through profit or loss	-27 468	-33 152

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

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

Net income from financial instruments measured at fair value	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Net income realized and unrealized (without the currency component) on currency derivatives	-966	-35 983
Net income realized and unrealized (without the currency component) on interest rate based derivatives	6 172	16 994
Net income realized and unrealized on debt instruments	10 577	-505
Net income realized and unrealized on equity instruments	0	80 609
Total net income from financial instruments measured at fair	**15 784**	**61 115**

Net income from financial instruments in hedge accounting		
Fair value hedge	**303**	**584**
Changes in fair value of the hedged instrument	-3 515	1 646
Changes in fair value of the hedging instrument	3 818	-1 062
Cash flow hedge	**-5 128**	**2 012**
Ineffective part of changes in fair value of hedging insturments included in profit or loss	-5 128	2 012
Total net income from financial instruments in hedge accounting	**-4 825**	**2 596**

Net foreign exchange result		
Realized and unrealized foreign exchange differences arising from the currency component of the valuation of derivatives	469 756	-70 875
Realized and unrealized foreign exchange gains/losses on the valuation of other assets and liabilities	-470 743	116 871
Total net foreign exchange result	**-987**	**45 996**
Total net income from financial instruments measured at fair value and net foreign exchange result	**9 972**	**109 708**

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

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

9. General administrative expenses

9.1. Salaries, wages and other employee benefits

Salaries, wages and other employee benefits	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Salaries and wages	-234 108	-267 562
Social insurance costs	-36 886	-39 118
Other employee benefits	-5 731	-5 995
Total	**-276 725**	**-312 674**

9.2. Other administrative expenses

Other administrative expenses	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Maintenance and rental of buildings	-61 328	-72 225
including lease installments	-46 877	-55 492
IT and telecommunication costs	-46 748	-44 477
Contribution and payments to Bank Guarantee Fund	-60 354	-46 545
Consulting services	-26 885	-12 851
Marketing costs	-9 116	-8 649
Training costs	-2 430	-2 857
Costs of other lease installments	-2 224	-2 082
Other sundry costs	-42 972	-51 484
Depreciation cost including:	-36 580	-53 204
depreciation cost on property, plant and equipment	-16 863	-19 438
depreciation cost on intangible assets	-19 717	-33 766
Total	**-288 636**	**-294 374**

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

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

10. Other operating income and expense

Other operating income	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Revenue from non-banking activities	10 365	1 390
Release of other provisions	7 682	1 767
Income on disposal of property, plant and equipment and intangible assets	61	289
Reversal of impairment allowance on other assets	115	196
Reversal of other asset write offs	12	31
Other	2 633	3 695
Total	**20 867**	**7 368**

Other operating expense	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
	Continuing operations	
Expenses on allocation to other provisions	-3 089	-8 948
Impairment of property, plant and equipment and intangible assets	-13 377	-6 493
Costs of sale and disposal of property, plant and equipment and intangible assets	-114 139	-8 883
Debt collection costs	-9 409	-5 676
Other	-2 835	-3 696
Total	**-142 849**	**-33 696**

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

11. Income tax expense

Reconciliation of effective tax rate - continuing operations	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Profit/loss before tax	942	134 339
Current income tax at the local tax rate on profit before tax (19%)	-179	-25 524
Tax effect of non-deductible expenses incurred and estimated	-30 663	-38 333
Tax effect of non-taxable income	208	-716
Total income tax charge	**-30 635**	**-64 573**

Analysis of income tax expense recognised in the statement of profit or loss	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Current income tax	-20 531	-28 677
Correction of current income tax regarding previous years	-141	-640
Deferred tax	-9 963	-35 256
Total income tax charge	**-30 635**	**-64 573**

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

12. Discontinued operations

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

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

Notes to the consolidated statement of financial position

13. Cash and balances with the Central Bank

	30 June 2017	31 December 2016	30 June 2016
Cash at hand	688 828	667 808	817 624
Balances with the Central Bank	1 373 240	1 064 061	562 140
Total	**2 062 068**	**1 731 869**	**1 379 764**

14. Amounts due from banks

	30 June 2017	31 December 2016	30 June 2016
Collateral deposits	89 449	139 126	196 591
Cash on current accounts	76 274	153 108	35 296
Loans and advances to banks	30 612	42 429	61 737
Deposits with other banks	4 000	0	40 000
Gross amounts due from banks	**200 335**	**334 663**	**333 624**
Impairment allowance	-89	-100	-89
Net amounts due from banks	**200 246**	**334 563**	**333 536**

15. Derivative financial instruments

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

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

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

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

Fair values of derivative financial instruments are presented below:

	30 June 2017			31 December 2016			30 June 2016		
	Nominal value of instruments	Fair values		Nominal value of instruments	Fair values		Nominal value of instruments	Fair values	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments in the trading portfolio									
Currency swaps and forwards (fx swap and fx forward)	20 919 409	243 668	254 071	26 089 130	316 843	243 589	39 030 463	401 275	321 446
Options acquired or sold OTC	3 417 133	36 225	33 263	2 415 094	20 016	20 506	2 583 888	22 485	22 776
Total foreign exchange derivatives	**24 336 542**	**279 893**	**287 334**	**28 504 224**	**336 859**	**264 095**	**41 614 350**	**423 760**	**344 223**
Interest rate swaps (IRS)	14 063 419	108 372	70 893	13 715 389	129 828	83 258	14 204 573	162 160	114 097
Forward Rate Agreement (FRA)	3 540 495	765	2	500 000	22	0	1 533 130	4 065	1
Total interest rate derivatives	**17 603 914**	**109 137**	**70 895**	**14 215 389**	**129 850**	**83 258**	**15 737 703**	**166 225**	**114 098**
Loan forward	**99 013**	**0**	**0**	**79 984**	**0**	**0**	**0**	**0**	**0**
Total	**42 039 469**	**389 030**	**358 229**	**42 799 597**	**466 709**	**347 353**	**57 352 053**	**589 985**	**458 321**
Derivative financial instruments in cash flow hedges									
FX swaps	278 985	8 080	0	1 100 828	0	28 918	1 611 583	0	34 180
Currency interest rate swaps (CIRS)	6 316 728	25 556	668 844	6 256 327	0	1 151 903	6 256 328	0	1 057 044
Total	**6 595 713**	**33 636**	**668 844**	**7 357 155**	**0**	**1 180 821**	**7 867 911**	**0**	**1 091 225**
Derivative financial instruments in fair value hedges									
Interest rate swaps (IRS)	112 781	0	14 159	121 549	0	17 992	125 089	0	21 596
Total	**112 781**	**0**	**14 159**	**121 549**	**0**	**17 992**	**125 089**	**0**	**21 596**
Total derivatives financial instruments	**48 747 963**	**422 666**	**1 041 232**	**50 278 301**	**466 709**	**1 546 166**	**65 345 053**	**589 985**	**1 571 142**

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

16. Hedge accounting

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

At the end of December 2005, the Parent Entity granted a fixed interest rate loan for a period of 15 years with a nominal value of EUR 45 million and hedged it with an interest rate swap with a nominal value of EUR 44,9 million. The change in the valuation of the loan and of the hedging transaction as at 30 June 2017 and 30 June 2016 is presented in the tables below. The information on the ineffective portion of the hedge recognized to the statement of profit or loss is presented in note 8.

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Result on change in fair value of hedging instrument	3 818	-1 062
Result on change in fair value of hedged instrument	-3 515	1 646
Result on fair value hedge accounting	**303**	**584**
Interest result on derivative hedge instrument	-2 441	-2 602
	30 June 2017	**30 June 2016**
Nominal value of hedging instrument	112 781	125 089
Nominal value of hedged instrument	112 781	125 089

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

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

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross)	7 040	19 536
Net interest income on hedging derivatives recognized in the profit or loss	85 627	95 267
Ineffective change in fair value of hedging transactions recognized in the statement of profit or loss	-5 128	2 012

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

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

	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the beginning of the period	**-37 998**	**-46 858**
Revaluation reserves (revaluation with interest realized within the period)	645 396	-112 920
Interest result on derivative financial instruments in cash flow hedges	-85 627	-95 267
Result on revaluation of derivative financial instruments in cash flow hedges	-557 858	229 736
Ineffective change in fair value of hedging transactions presented in the statement of profit or loss	5 128	-2 012
Revaluation reserves (deferred changes in fair value of hedging instruments recognized as an effective hedge - gross) at the end of the period	**-30 959**	**-27 322**

In the amount of PLN 30 959 thousand presented in the revaluation reserves, PLN 31 027 thousand relates to the effective part of cash flow hedge hedged with CIRS transactions. In this amount the part hedging cash flows from loans amounted to PLN 52 958 thousand and part hedging to cash flows from deposits amounted to PLN -83 985 thousand.

17. Financial assets held for trading

Financial assets held for trading	30 June 2017	31 December 2016	30 June 2016
Bonds and bills issued by the State Treasury	971 555	371 779	591 119
NBP bills	1 399 643	7 393 915	8 000 000
Other finacial bonds	361 163	0	0
Corporate bonds	36 498	278 225	285 931
Mortgage bonds	4 330	3 423	6 512
Total	**2 773 188**	**8 047 342**	**8 883 562**

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

18. Investment securities

For the financial period from 1 January 2017 to 30 June 2017	At the beginning of the period	Increases	Decreases (sale, redemption and other)	Change of accrued interests, discount and valuation	Foreign exchange differences	Impair-ment	At the end of the period
Investment securities held to maturity							
Treasury bonds	3 475 082	1 164 400	-1 349 000	-34 519	0	0	**3 255 963**
Total held to maturity	**3 475 082**	**1 164 400**	**-1 349 000**	**-34 519**	**0**	**0**	**3 255 963**
Investment securities available for sale							
Equity investments	60 140	0	0	3 602	-2 033	0	**61 709**
Financial instruments blocked for BFG*	229 409	0	0	814	0	0	**230 223**
Other financial bonds	0	150 000	0	-947	0	0	**149 053**
Corporate bonds	293 895	149 108	-200 593	76	0	4 196	**246 682**
Treasury bonds	3 904 028	2 550 000	-233 000	17 396	0	0	**6 238 424**
Total available for sale	**4 487 472**	**2 849 108**	**-433 593**	**20 941**	**-2 033**	**4 196**	**6 926 091**
Total	**7 962 554**	**4 013 508**	**-1 782 593**	**-13 578**	**-2 033**	**4 196**	**10 182 054**

*treasury bonds

For the financial period from 1 January 2016 to 30 June 2016	At the beginning of the period	Increases	Decreases (sale, redemption and other)	Change of accrued interests, discount and valuation	Foreign exchange differences	Impair-ment	At the end of the period
Investment securities held to maturity							
Treasury bonds	1 964 957	1 487 809	0	9 825	0	0	**3 462 591**
Total held to maturity	**1 964 957**	**1 487 809**	**0**	**9 825**	**0**	**0**	**3 462 591**
Investment securities available for sale							
Equity investments	95 495	0	-34 753	-6	-1 968	0	**58 768**
Financial instruments blocked for BFG*	228 816	0	0	666	0	0	**229 482**
Corporate bonds	319 970	63 997	-39 421	3 746	0	0	**348 292**
Treasury bonds	1 232 417	2 818 393	-619 501	17 449	0	0	**3 448 758**
Total available for sale	**1 876 698**	**2 882 390**	**-693 675**	**21 855**	**-1 968**	**0**	**4 085 299**
Total	**3 841 655**	**4 370 199**	**-693 675**	**31 680**	**-1 968**	**0**	**7 547 891**

*treasury bonds

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

19. Loans and advances to customers

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

Loans and advances to customers by borrower segment	30 June 2017			31 December 2016			30 June 2016		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Individual customers	19 309 885	712 170	18 597 715	20 322 980	691 140	19 631 840	20 333 736	650 611	19 683 125
Micro customers	2 901 115	399 832	2 501 283	2 860 503	368 895	2 491 608	2 821 578	353 548	2 468 030
Large enterprises	11 489 314	523 789	10 965 525	10 952 367	610 151	10 342 216	11 619 977	808 845	10 811 132
SME	1 388 975	50 718	1 338 257	1 358 375	46 665	1 311 710	1 378 584	49 900	1 328 684
Public sector	83 530	578	82 952	87 572	449	87 123	17 573	82	17 491
Total	**35 172 819**	**1 687 087**	**33 485 732**	**35 581 797**	**1 717 300**	**33 864 497**	**36 171 448**	**1 862 986**	**34 308 462**

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

Loans and advances to customers by quality

30 June 2017

	Loans and advances to customers -without impairment trigger and not impaired	Group impairment allowance IBNR	Loans and advances to customers -with impairment trigger but not impaired	Group impairment allowance IBNR	Impaired loans and advances valued on individual basis	Individual allowance	Impaired loans and advances to customers valued on collective basis	Group impairment allowance	Net amount
Individual customers	18 248 365	56 398	5 907	0	24 821	10 152	1 030 792	645 620	**18 597 715**
Micro customers	2 137 520	18 528	0	0	31 368	17 009	732 227	364 295	**2 501 283**
Large enterprises	10 034 579	41 850	636 817	25 601	817 918	456 338	0	0	**10 965 525**
SME	1 313 775	3 031	14 950	1 033	60 250	46 654	0	0	**1 338 257**
Public sector	83 530	578	0	0	0	0	0	0	**82 952**
Total	**31 817 769**	**120 385**	**657 674**	**26 634**	**934 357**	**530 153**	**1 763 019**	**1 009 915**	**33 485 732**

Loans and advances to customers by quality

31 December 2016

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

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

Loans and advances to customers by quality									
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**

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

20. Intangible assets

	30 June 2017	31 December 2016	30 June 2016
Intangible assets, including:			
Goodwill	0	0	32 966
"Polbank" brand	0	114 000	200 000
Customers relationships	13 622	16 807	21 686
Computer software	225 318	203 270	207 206
Computer software under development	22 093	47 022	38 682
Advances for intangible assets	0	1 984	5 873
Total	**261 033**	**383 083**	**506 414**

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

21. Property, plant and equipment

	30 June 2017	31 December 2016	30 June 2016
Tangible fixed assets, including:			
Buildings, apartments and leasehold improvements	45 354	58 830	35 560
Technical equipment and machinery	37 847	47 931	54 576
Vehicles	10	12	14
Other tangible assets	7 032	8 249	6 115
Assets under construction	2 791	3 204	32 004
Advances for property, plant and equipment	0	0	3 128
Total	**93 034**	**118 228**	**131 396**

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

22. Other assets

Other assets	30 June 2017	31 December 2016	30 June 2016
Financial assets gross			
Collection of bills and cheques	54	2 451	183
Sundry debtors	101 903	85 478	99 383
Settlements with brokerage offices – receivables	5 446	4 757	5 025
Settlements of payment cards transactions - receivables	92 348	101 513	64 799
Total financial assets, gross	**199 751**	**194 199**	**169 390**
Impairment allowance	-8 978	-13 467	-10 261
Total financial assets, net	**190 773**	**180 732**	**159 128**
Non-financial assets gross			
Accruals and prepayments	38 006	35 974	40 863
Income receivable	1 313	1 566	2 708
Assets acquired for debt	2 580	2 581	2 580
Other	533	185	180
Public (law) settlements	34	422	42 028
Total non-financial assets, gross	**42 467**	**40 728**	**88 359**
Impairment allowance	0	0	-2
Total non-financial assets, net	**42 467**	**40 728**	**88 357**
Total	**233 239**	**221 460**	**247 485**

23. Amounts due to banks and other monetary institutions

	30 June 2017	31 December 2016	30 June 2016
Current accounts	367 629	140 168	411 197
Term deposits	162 772	194 067	205 387
Loans received	6 486 274	7 099 171	7 346 587
Total	**7 016 675**	**7 433 406**	**7 963 171**

24. Amounts due to customers

	30 June 2017	31 December 2016	30 June 2016
Amounts due to individuals	17 514 103	18 218 007	17 363 621
Amounts due to micro customers	2 493 844	2 565 414	2 137 738
Amounts due to large enterprises	10 713 025	12 326 483	13 401 808
Amounts due to SME	3 024 888	3 219 506	3 618 860
Amounts due to the public sector	45	0	0
Total	**33 745 904**	**36 329 411**	**36 522 027**

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

25. Subordinated liabilities

	30 June 2017	31 December 2016	30 June 2016
Loan of EUR 25 million due in 2017	105 890	110 849	110 900
Loan of EUR 50 million due in 2024	211 338	221 247	221 287
Total	**317 228**	**332 096**	**332 187**

26. Liabilities from debt securities issued

For the financial period from 1 January 2017 to 30 June 2017	At the beginning of the period	Decreases due to the changes in the Group structure	Decreases - payment of interests	Change of accrued interest	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 830	0	-7 710	7 710	501 830
Total	**501 830**	**-7 710**	**0**	**7 710**	**501 830**

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	Decreases - payment of interests	Change of accrued interest	At the end of the period
Liabilities from debt securities issued by Parent Entity	501 825	0	-7 730	7 695	501 790
Liabilities from debt securities issued by securitization entity	1 256 852	-1 259 674	0	2 822	0
Total	**1 758 677**	**-1 259 674**	**0**	**2 787**	**501 790**

27. Provisions

For the financial period from 1 January 2017 to 30 June 2017	At the beginning of the period	Provisions or impairment allowance recorded	Provisions or impairment allowance reversed	Provisions or impairment alllowance utilized	Foreign exchange differences	Change in the Group structure	At the end of the period
Impairment provisions for off-balance sheet commitments assessed individually	25 552	11 277	-16 005	0	-756	0	**20 068**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	5 444	5 125	-1 975	0	-99	0	**8 495**
Total impairment provisions	**30 996**	**16 402**	**-17 980**	**0**	**-855**	**0**	**28 563**
Provisions for disputes and claims	14 358	0	-58	-700	0	0	**13 600**
Provision for employee bonuses	65 808	32 687	-9 915	-29 429	-107	0	**59 044**
Provision for unused holidays	16 253	0	0	-1 106	0	0	**15 147**
Provision for pension and death benefits	3 237	57	0	-44	0	0	**3 250**
Restructuring provision	16 067	32 127	0	-6 556	0	0	**41 638**
Other provisions	10	0	0	-7	0	0	**3**
Total provisions	**115 733**	**64 871**	**-9 973**	**-37 842**	**-107**	**0**	**132 682**
Total	**146 729**	**81 273**	**-27 953**	**-37 842**	**-962**	**0**	**161 245**

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

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	41 227	22 255	-40 910	0	536	0	**23 108**
Impairment provisions for off-balance sheet commitments assessed collectively IBNR	9 047	1 619	-6 071	0	61	0	**4 656**
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 and death 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**

Provisions for legal disputes as at 30 June 2017 comprised mainly:

- provision resulting from a penalty imposed on the Parent Entity by the Office of Competition and Consumer Protection (OCCP) in October 2014 concerning the practices connected with concluding of agreements with customers relating to membership of the group insurance for life and endowment programm called "Program Pomnażania Oszczędności Kumulatus". The penalty amounted to PLN 21 122 thousand. The decision is not final. The Parent Entity appealed against the decision and raised a provision for this penalty in the amount of PLN 10 561 thousand, because, in its opinion the possible outflow will not exceed the amount of the provision;

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

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

The restructuring provision as at 30 June 2017, in the amount of PLN 41 638 thousand (PLN 16 070 thousand as at 31 December 2016) has been created mainly for the purpose of severance payments resulting from the existing restructuring programs, as well as costs associated with the liquidation of the Parent Entity branches. The change of the provision with reference to the previous reporting period resulted mainly due to utilization of the provisions from realization of employment and branches optimization program from previous years and restructuring provision recorded as a result of the decision to perform Parent Entities digital evolution and optimization in years 2017 – 2019.

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

28. Equity

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

	Par value of shares held		Number of shares (in units)	
Registered share capital	**For the financial period from 1 January 2017 to 30 June 2017**	**For the financial period from 1 January 2016 to 30 June 2016**	**For the financial period from 1 January 2017 to 30 June 2017**	**For the financial period from 1 January 2016 to 30 June 2016**
At the beginning of the period	2 256 683	2 256 683	248 260	248 260
Split of existing shares	0	0	225 420 080	0
At the end of the period	**2 256 683**	**2 256 683**	**225 668 340**	**248 260**

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

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

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

Other capital and reserves	**30 June 2017**	**31 December 2016**
General banking risk reserve	1 025 019	995 019
Settlement of the purchase of an organized part of an entity	-3 883	-3 883
Revaluation reserve for avaiable for sale financial assets	15 851	-5 390
Revaluation reserve for cash flow hedge derivatives	-25 076	-30 778
Brokerage activities reserve	1 000	1 000
Other reserves	46 522	46 522
At the end of the period	**1 059 432**	**1 002 489**

Other notes

29. Contingent liabilities

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

	30 June 2017	31 December 2016	30 June 2016
Guarantees issued			
Bank guarantees	1 793 362	1 739 565	2 025 681
Letters of credit and bank acceptances	239 615	188 697	206 969
Total guarantees issued	**2 032 977**	**1 928 262**	**2 232 651**
Financial liabilities granted			
Granted loan commitments:	6 495 476	7 129 960	7 778 774
With initial maturity up to 1 year	3 252 633	3 396 644	3 386 860
With initial maturity above 1 year	3 242 843	3 733 316	4 391 914
Total financial liabilities granted	**6 495 476**	**7 129 960**	**7 778 774**
Total	**8 528 453**	**9 058 222**	**10 011 425**

	30 June 2017	31 December 2016	30 June 2016
Guarantees received	5 735 065	5 871 309	5 676 344
Total	**5 735 065**	**5 871 309**	**5 676 344**

30. Supplementary information to statement of cash flows

Cash and cash equivalents	30 June 2017	31 December 2016	30 June 2016
Cash in hand at the Bank	688 828	667 808	817 624
Cash on the current account with the Central Bank	1 373 240	1 064 061	562 140
Cash on Nostro accounts with other banks	76 274	153 108	37 250
Deposits with other banks (due within 3 months)	4 000	0	40 000
Cash and cash equivalents presented in the cash flow statement	**2 142 342**	**1 884 977**	**1 457 014**

31. Fair value of assets and liabilities

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

The effect of estimated parameters on fair value calculation of financial instruments within Level III, which are measured to fair value in the statement of financial position as at 30 June 2017, was negligible and did not differ significantly from values disclosed in the consolidated financial statements for the year ended 31 December 2016.

Other notes (cont.)

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

Postition description	30 June 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
Financial assets										
Cash and balances with Central Bank	2 062 068	2 062 068	0	0	2 062 068	1 731 869	1 731 869	0	0	1 731 869
Amounts due from banks	200 246	200 205	0	0	200 205	334 563	334 487	0	0	334 487
Financial assets held for trading	2 773 188	2 773 188	1 353 260	1 399 643	20 284	8 047 342	8 047 342	371 779	7 393 914	281 649
Derivative financial instruments, including:	422 666	422 666	0	419 925	2 741	466 709	466 709	0	463 043	3 666
Derivative financial instruments held for trading	389 030	389 030	0	386 289	2 741	466 709	466 709	0	463 043	3 666
Cash flow hedge derivative financial instruments	33 636	33 636	0	33 636	0	0	0	0	0	0
Investment securities, including:	10 182 054	10 167 675	9 859 285	0	308 391	7 962 554	7 922 498	7 568 463	0	354 035
Investment securities held to maturity	3 255 963	3 241 584	3 241 584	0	0	3 475 082	3 435 026	3 435 026	0	0
Investment securities available for sale, including:	6 926 091	6 926 091	6 617 701	0	308 391	4 487 472	4 487 472	4 133 437	0	354 035
Equity interests	61 709	61 709	0	0	61 709	60 140	60 140	0	0	60 140
Debt securities	6 864 382	6 864 382	6 617 701	0	246 681	4 427 332	4 427 332	4 133 437	0	293 895
Loans and advances to customers, including:	33 485 732	31 069 926	0	0	31 069 926	33 864 497	31 441 321	0	0	31 441 321
Individual customers	18 597 715	16 340 731	0	0	16 340 731	19 631 840	17 322 307	0	0	17 322 307
Micro customers	2 501 283	2 356 615	0	0	2 356 615	2 491 608	2 364 899	0	0	2 364 899
Large enterprises	10 965 525	10 953 333	0	0	10 953 333	10 342 216	10 355 266	0	0	10 355 266
SME	1 338 257	1 336 315	0	0	1 336 315	1 311 710	1 311 722	0	0	1 311 722
Public sector	82 952	82 932	0	0	82 932	87 123	87 127	0	0	87 127
Other financial assets	190 773	190 773	0	0	190 773	180 732	180 732	0	0	180 732
Total financial assets	**49 316 727**	**46 886 500**	**11 212 545**	**1 819 568**	**33 854 387**	**52 588 266**	**50 124 958**	**7 940 242**	**7 856 957**	**34 327 759**

Other notes (cont.)

Position description	30 June 2017					31 December 2016				
	Book value	Fair value	Level I	Level II	Level III	Book value	Fair value	Level I	Level II	Level III
Financial liabilities										
Amounts due to banks and other monetary institutions	7 016 675	6 939 972	0	0	6 939 972	7 433 406	7 325 622	0	0	7 325 622
Derivative financial instruments, including:	1 041 232	1 041 232	0	1 040 536	696	1 546 166	1 546 166	0	1 545 804	362
Derivative financial instruments held for trading	358 229	358 229	0	357 533	696	347 353	347 353	0	346 991	362
Cash flow hedge derivative financial instruments	668 844	668 844	0	668 844	0	1 180 821	1 180 821	0	1 180 821	0
Fair value hedge derivative financial instruments	14 159	14 159	0	14 159	0	17 992	17 992	0	17 992	0
Amounts due to customers, including:	33 745 905	33 748 772	0	0	33 748 772	36 329 411	36 369 470	0	0	36 369 470
Amounts due to individuals	17 514 103	17 515 192	0	0	17 515 192	18 218 007	18 239 621	0	0	18 239 621
Amounts due to micro customers	2 493 844	2 493 486	0	0	2 493 486	2 565 414	2 566 605	0	0	2 566 605
Amounts due to large enterprises	10 713 025	10 715 908	0	0	10 715 908	12 326 483	12 341 423	0	0	12 341 423
Amounts due to small and medium enterprises	3 024 888	3 024 141	0	0	3 024 141	3 219 506	3 221 820	0	0	3 221 820
Amounts due to the public sector	45	45	0	0	45	1	1	0	0	1
Subordinated liabilities	317 228	252 380	0	0	252 380	332 096	256 375	0	0	256 375
Liabilities from debt securities issued	501 830	501 830	0	0	501 830	501 830	501 843	0	0	501 843
Other financial liabilities	560 214	560 214	0	0	560 214	444 058	444 058	0	0	444 058
Total financial liabilities	**43 183 084**	**43 044 401**	**0**	**1 040 536**	**42 003 865**	**46 586 968**	**46 443 535**	**0**	**1 545 804**	**44 897 731**

Other notes (cont.)

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

For the financial period from 1 January 2017 to 30 June 2017	Financial assets held for trading	Derivative financial instruments - assets	Investment securities available for sale - debt securities	Derivative financial instruments - liabilities
At the beginning of the period	**281 649**	**3 667**	**293 895**	**363**
Increases, including:	4 481	406	122 479	39
Purchase	4 458	0	121 677	0
Derivatives opened during the period	0	362	0	131
Income from financial instruments, included in:	23	44	802	-92
Net interest income	0	2	2	-84
Net income from financial instruments measured at fair value	23	42	0	-8
Revaluation reserves	0	0	800	0
Decreases, including:	-265 845	-1 331	-169 693	294
Settlement/ redemption	0	-269	0	-294
Sale	-260 463	0	-159 695	0
Loss from financial instruments, included in:	-5 383	-1 062	-9 998	588
Net interest income	-516	-88	-124	6
Net income from financial instruments measured at fair value	-4 867	-974	0	582
Revaluation reserves	0	0	-9 874	0
At the end of the period	**20 285**	**2 741**	**246 681**	**696**
Unrealized result on financial instruments held in the portfolio at the end of the period, included in statement of comprehensive income in:	**-4 776**	**-925**	**-7 411**	**334**
Net interest income	68	0	1 663	0
Net income from financial instruments measured at fair value	-4 844	-925	0	334
Revaluation reserves	0	0	-9 074	0

Other notes (cont.)

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
At the beginning 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 the 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 in the Gropu structure	0	-31	0	0
At the end of the period	**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

32. Transactions with related parties

The Parent Entity identifies the following related entities:

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

Other notes (cont.)

– 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 entity ROOF Poland Leasing 2014 DAC (subsidiary until 31 March 2016).

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

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

Other notes (cont.)

Consolidated statement of financial position items	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Amounts due from banks	99 727	146 551	0	0	1 671	13 343
Derivative financial instruments - assets	250 152	277 752	0	0	110	506
Loans and advances to customers	0	0	206	1 749	0	0
Other assets	2	95	0	0	153	1 325
Amounts due to banks and other monetary institutions	5 314 993	5 368 872	0	0	1 382 993	1 764 593
Derivative financial instruments - liabilities	919 402	1 477 686	0	0	115	2 009
Amounts due to customers	0	0	4 718	5 430	15 982	15 848
Subordinated liabilities	317 228	332 096	0	0	0	0
Other liabilities	20 265	26 383	0	0	48	580
Provision for liabilities and charges	2 352	2 407	7 734	8 400	0	1

Consolidated statement of profit or loss items	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016	For the financial period from 1 January 2017 to 30 June 2017	For the financial period from 1 January 2016 to 30 June 2016
Interest income	86 665	82 400	13	21	98	2 592
Interest expense	-35 256	-60 486	-27	-25	-11 091	-13 850
Fee and commission income	583	500	3	4	1 867	1 610
Fee and commission expenses	-365	-422	-1	-5	-1 125	-76
Net income from financial assets measured at fair value through profit or loss and net foreign exchange result	589 822	-230 636	0	2	-253	0
Result on sale of discontinued operations	0	33 751	0	0	0	0
General administrative expenses	-19 910	-5 574	-5 720	-7 480	-852	-3 220
Other operating income	189	0	0	0	1 094	3 942

Other notes (cont.)

Contingent liabilities and assets	Parent Entities		Members of the Group's and the Parent Entities' key personnel		Other related entities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Guarantees and letters of credit	121 222	109 315	0	0	36 098	38 293
Guarantees received	127 030	77 483	0	0	15 524	13 422

Statement of financial position items	Parent Entities	Members of the Group's and the Parent Entities' key personnel	Other related entities
	30 June 2016	30 June 2016	30 June 2016
Amounts due from banks	192 464	0	13 485
Financial assets held for trading	0	0	250 288
Derivative financial instruments - assets	326 586	0	9 860
Loans and advances	0	2 304	122 354
Other assets	38	0	10 222
Amounts due to banks and other monetary institutions	5 515 034	0	1 787 959
Derivative financial instruments - liabilities	1 529 316	0	300
Amounts due to customers	0	4 590	209 671
Subordinated liabilities	332 187	0	0
Other liabilities	10 928	0	768
Provision for liabilities and charges	2 043	4 209	0

Contingent liabilities and assets	Parent Companies	Members of the Group's and the Parent Entities' key personnel	Other related entities
	30 June 2016	30 June 2016	30 June 2016
Guarantees and letters of credit	111 980	0	565 332
Financial liabilities granted	0	0	84 464
Guarantees received	88 708	0	13 895

Other notes (cont.)

33. Seasonality and business cycles

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

34. Events after reporting date

Suspension of the Initial Public Offering of Bank's shares

On 6 July 2017 Raiffeisen Bank International AG (RBI) after the consultations with Global Coordinators of the Initial Public Offering (IPO), decided to suspend the IPO due to insufficient level of interest in the offer on terms that meet the parameters of RBI's commitment to the Polish Financial Supervision Authority (PFSA) to float shares of the Bank on the Warsaw Stock Exchange.

On 1 August 2017, as a result of discussion between RBI and PFSA in relation to this issue, PFSA published an announcement relating to the Initial Public Offering of the Bank, in which PFSA informed that it expects RBI to float shares of the Bank on the Warsaw Stock Exchange, assuring actual liquidity of 15% or higher, no later than on 15 May 2018. PFSA expects that RBI will undertake concrete actions to improve attractiveness of the Bank's shares offering.

Changes in the Supervisory Board of Raiffeisen Bank Polska S.A.

On 21 July 2017 the Extraordinary General Meeting of Shareholders of the Bank appointed Beatę Mońka and Krzysztof A. Rozen as Members of the Supervisory Board of the Bank as of 1 August 2017.

According to the statements received from Beata Mońka and Krzysztof A. Rozen, they meet the criteria for independent members of audit committees stated in the Act on auditors, audit companies and public supervision dated 11 May 2017 and fulfill requirements of article 22aa of Banking Law dated 29 August 1997, in particular they have knowledge, skills and experience appropriate to be member of the Bank's Supervisory Boards and assure proper execution of this function.

At the same time Selcuk Sari resigned from his position as a Member of Bank's Supervisory Board.

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

Risk management

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

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

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

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

Capital management process

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

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

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

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

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

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

Risk management (cont.)

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

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

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

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

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

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

	Method of calculating the requirement	30 June 2017	31 December 2016	30 June 2016
Credit and counterparty risk	Standard	2 585 359	2 613 173	2 657 613
Market risk	Standard	28 471	44 066	65 920
Operational risk	Standard	258 855	271 001	271 001
Regulatory capital requirement		**2 872 685**	**2 928 240**	**2 994 534**
Own funds		**6 328 775**	**6 111 419**	**5 924 366**
Total capital ratio (%)		**17,62**	**16,70**	**15,83**

The main source of own funds to cover the capital requirements is Tier I capital (core capital), which is supplemented with subordinated liabilities (Tier II capital). Tier I capital amounted to PLN 6 113 631 thousand as at 30 June 2017, (PLN 5 875 197 as at 31 December 2016) and Tier II capital amounted to PLN 215 144 thousand, (PLN 248 840 as at 31 December 2016).

At the end of the first half of 2017 the Tier 1 capital ratio amounted to 17.03%, and the total capital ratio (TCR) amounted to 17.62%, the Group met both regulatory requirements and supervisory recommendations. The most important factor affecting change of the capital ratios in the second quarter of 2017 was change in assignment of credit conversion factor (CCF). At the end of March 2017 due to recommendations received from Polish Financial Supervision Authority after the inspection, the Bank changed CCF 0% to factors of 20% and 50% according to requirements of Appendix I point 4 of the Regulation No 575/2013 of the European Parliament and of the Council. Starting from 30 June 2017, after finalization by the Group of the actions addressing PFSA's recommendations presented after the inspection, the Group re-assigned 0% CCF to off balance exposures.

Risk management (cont.)

Higher risk requirements for exposures secured with mortgage on real estate

On 1 June 2017 the Resolution of Minister of Economic Development and Finance dated 25 May 2017 relating to higher risk requirements for exposures secured with mortgage on real estate was presented. According to this resolution, exposures secured with mortgage on housing real estate, for which level of capital and interest installment depends on changes in the foreign currency rate or rates other than currency in which debtor receives income, are charged with the risk requirement of 150%. Exposures secured with mortgage on office or other commercial real estate, located in Poland, are charged with the risk requirement of 100%. The resolution will come into force within 6 months from its publication.

36. Credit risk

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

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

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

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

Risk management (cont.)

As at 30 June 2017	Financial assets presented in the consoldiated statement of financial position							
Classes of maximum exposure with instrument types assigned to them	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
Cash and cash equivalents	**0**	**688 828**	**0**	**0**	**0**	**0**	**0**	**688 828**
Exposures to governments and central banks	**0**	**1 373 240**	**2 371 198**	**0**	**9 724 610**	**0**	**0**	**13 469 048**
Cash and balances with the Central Bank	0	1 373 240	0	0	0	0	0	1 373 240
Treasury bonds and bills	0	0	971 555	0	9 724 610	0	0	10 696 165
NBP bills	0	0	1 399 643	0	0	0	0	1 399 643
Exposures to banks	**200 246**	**0**	**365 593**	**270 461**	**149 053**	**0**	**0**	**985 353**
Cash on current and term accounts with other banks	169 723	0	0	0	0	0	0	169 723
Loans and advances granted to other banks	30 523	0	0	0	0	0	0	30 523
Derivative financial instruments	0	0	0	270 461	0	0	0	270 461
Other financial institutions bonds	0	0	361 163	0	149 053	0	0	510 216
Corporate bonds	0	0	100	0	0	0	0	100
Mortgage backed bonds	0	0	4 330	0	0	0	0	4 330
Exposures to customers	**0**	**0**	**36 398**	**152 205**	**308 391**	**33 485 732**	**0**	**33 982 726**
Loans and advances granted to individuals	0	0	0	0	0	18 597 715	0	18 597 715
Loans and advances granted to micro customers	0	0	0	0	0	2 501 283	0	2 501 283
Loans and advances granted to large enterprises	0	0	0	0	0	10 965 525	0	10 965 525
Loans and advances granted to small and medium enterprises	0	0	0	0	0	1 338 257	0	1 338 257
Loans and advances granted to public sector entities	0	0	0	0	0	82 952	0	82 952
Equity investments available for sale	0	0	0	0	61 709	0	0	61 709
Derivative financial instruments	0	0	0	152 205	0	0	0	152 205
Corporate bonds	0	0	36 398	0	246 682	0	0	283 080
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**190 773**	**190 773**
Total	**200 246**	**2 062 068**	**2 773 189**	**422 666**	**10 182 054**	**33 485 732**	**190 773**	**49 316 728**

Risk management (cont.)

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

Risk management (cont.)

As at 30 June 2016	Financial assets presented in the consoldiated statement of financial position							
Classes of maximum exposure with instrument types assigned to them	Amounts due from banks	Cash and balances with the Central Bank	Trading assets	Derivatives	Investment securities	Loans and advances	Other	Total
Cash and cash equivalents	**0**	**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
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**

Maximum exposure to credit risk for off-balance sheet items amounted to:	30 June 2017	31 December 2016	30 June 2016
Guarantees	2 032 977	1 928 262	2 232 651
Granted loan commitments	6 495 476	7 129 960	7 778 774
Total	**8 528 453**	**9 058 222**	**10 011 425**

Risk management (cont.)

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

	Exposure amount			
As at 30 June 2017	**Analysed on an individual basis**	**Analysed on a collective basis**	**Total**	**Value of collateral reducing the maximum exposure to credit risk**
Not overdue receivables without identified impairment	**196 680**	**32 410 446**	**32 607 126**	**15 451 481**
Amounts due from Central Bank and other banks	0	1 573 575	1 573 575	25 253
Individual customers	5 907	16 862 543	16 868 450	9 157 104
Micro customers	0	1 966 334	1 966 334	1 122 716
Large enterprises	0	10 610 527	10 610 527	4 526 174
Small and medium enterprises	0	1 313 937	1 313 937	620 234
Public sector	0	83 530	83 530	0
Other financial assets	190 773	0	190 773	0
Overdue receivables without identified impairment	**0**	**1 632 665**	**1 632 665**	**826 588**
Individual customers	0	1 385 822	1 385 822	645 007
Micro customers	0	171 186	171 186	116 350
Large enterprises	0	60 869	60 869	56 915
Small and medium enterprises	0	14 788	14 788	8 316
Receivables with identified impairment	**943 335**	**1 763 019**	**2 706 354**	**1 054 650**
Individual customers	24 821	1 030 792	1 055 613	348 964
Micro customers	31 368	732 227	763 595	348 474
Large enterprises	817 918	0	817 918	343 583
Small and medium enterprises	60 250	0	60 250	13 629
Other financial assets	8 978	0	8 978	0
Total financial assets, gross	**1 140 015**	**35 806 130**	**36 946 145**	**17 332 719**
Impairment allowances on amounts due from Central Bank and other banks	**0**	**89**	**89**	**0**
Impairment allowances on loans and advances	**530 153**	**1 156 934**	**1 687 087**	**0**
Impairment allowances on other financial assets	**8 978**	**0**	**8 978**	**0**
Total financial assets, net	**600 884**	**34 649 107**	**35 249 991**	**17 332 719**

Risk management (cont.)

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

Risk management (cont.)

As at 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 amounts due from Central Bank and other banks	**833 391**	**1 029 595**	**1 862 986**	**0**
Impairment allowances on loans and advances	**10 261**	**0**	**10 261**	**0**
Total financial assets, net	**529 039**	**34 834 227**	**35 363 266**	**16 994 096**

Risk management (cont.)

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

30 June 2017	Past due for					
Past due financial receivables without identified impairment	Less than 30 days	Between 30 and 90 days	Between 90 and 180 days	Between 180 days and 1 year	More than 1 year	**Total**
Gross loans and advances - past due but not impaired	**1 174 202**	**420 898**	**6 603**	**2 647**	**28 315**	**1 632 665**
Individual customers	1 036 977	344 095	933	804	3 013	**1 385 822**
Micro customers	96 260	74 014	561	166	185	**171 186**
Large enterprises	33 732	1 318	3 523	139	22 157	**60 869**
Small and medium enterprises	7 233	1 471	1 586	1 538	2 960	**14 788**
Total	**1 174 202**	**420 898**	**6 603**	**2 647**	**28 315**	**1 632 665**

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

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 - overdue 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**

Risk management (cont.)

"Forbearance" Practices

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

Forborne exposures				
30 June 2017	**Gross value**	**Impairment allowance**	**Net value**	**Value of received collateral**
Not impaired exposures	**614 205**	**16 172**	**598 033**	**460 813**
Non past due	**374 264**	**6 122**	**368 142**	**293 212**
Individual customers	171 250	911	170 339	97 420
Micro customers	65 018	481	64 537	62 198
Large enterprises	133 117	4 399	128 718	128 807
Small and medium enterprises	4 879	331	4 548	4 787
Past due	**239 941**	**10 050**	**229 891**	**167 601**
Individual customers	161 848	6 115	155 733	92 927
Micro customers	51 517	2 098	49 419	48 017
Large enterprises	23 148	1 600	21 548	23 214
Small and medium enterprises	3 428	237	3 191	3 443
Impaired exposuers	**841 015**	**433 801**	**407 214**	**413 640**
Collective basis	**348 773**	**175 517**	**173 256**	**179 283**
Individual customers	175 720	97 902	77 818	77 330
Micro customers	173 053	77 615	95 438	101 953
Individual basis	**492 242**	**258 284**	233 958	**234 357**
Individual customers	13 038	7 284	5 754	5 754
Micro customers	15 821	10 234	5 587	5 587
Large enterprises	451 783	231 764	220 019	220 406
Small and medium enterprises	11 600	9 002	2 598	2 610
Total	**1 455 220**	**449 973**	**1 005 247**	**874 453**

Risk management (cont.)

Forborne exposures

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

Risk management (cont.)

Forborne exposures				
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 - gross 30 June 2017	Not past due	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	**374 263**	**126 183**	**98 384**	**1 121**	**651**	**13 603**	**614 205**
Individual customers	171 249	90 670	71 178	0	0	0	333 097
Micro customers	65 018	24 311	27 206	0	0	0	116 535
Large enterprises	133 117	11 201	0	186	1	11 761	156 266
Small and medium enterprises	4 879	1	0	935	650	1 842	8 307
Impaired exposuers	**200 658**	**11 794**	**25 096**	**24 719**	**49 597**	**529 151**	**841 015**
Individual customers	6 255	9 196	16 136	16 266	19 693	121 212	188 758
Micro customers	1 677	1 807	8 960	6 954	13 359	156 117	188 874
Large enterprises	191 197	0	0	1 491	16 545	242 549	451 782
Small and medium enterprises	1 529	791	0	8	0	9 273	11 601
Total	**574 921**	**137 977**	**123 480**	**25 840**	**50 248**	**542 754**	**1 455 220**

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

Forborne exposures - gross 30 June 2016	Not past due	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.)

Concentration limits

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

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

Retail mortgage loans denominated in foreign currencies

The CHF mortgage loans portfolio is a significant subject of credit risk management due to its value and share in the total loans portfolio of the Parent Entity. The share of loans denominated in CHF was equal to 33.59% of all loans of the Parent Entity as at the end of the first quarter of 2017, of which 31.67% concerned individual clients and 1.35% micro-enterprises.

The below table presents the carrying value of the mortgage loans portfolio of the Parent Entity analyzed by denomination currencies and sub-portfolios as at 30 June 2017,2016 and 31 December 2016.

Loans for individuals and micro customers secured by mortgage by denomination currencies	30 June 2017		31 December 2016		30 June 2016	
	Gross amount	Share in portfolio	Gross amount	Share in portfolio	Gross amount	Share in portfolio
Individual customers						
PLN	2 067 164	12,0%	1 954 915	10,6%	1 873 108	10,0%
EUR	3 362 325	19,5%	3 657 369	19,8%	3 782 086	20,2%
CHF	10 538 343	61,0%	11 538 547	62,4%	11 707 804	62,6%
USD	5 968	0,0%	5 673	0,0%	5 604	0,0%
Total	**15 973 799**	**92,5%**	**17 156 504**	**92,8%**	**17 368 602**	**92,9%**
Micro customers						
PLN	854 205	4,9%	832 755	4,5%	802 337	4,3%
EUR	74 796	0,4%	84 461	0,5%	90 488	0,5%
CHF	359 772	2,1%	407 544	2,2%	433 039	2,3%
Total	**1 288 773**	**7,5%**	**1 324 760**	**7,2%**	**1 325 865**	**7,1%**
Total						
PLN	2 921 369	16,9%	2 787 670	15,1%	2 675 446	14,3%
EUR	3 437 121	19,9%	3 741 830	20,2%	3 872 574	20,7%
CHF	10 898 115	63,1%	11 946 091	64,6%	12 140 844	64,9%
USD	5 968	0,0%	5 673	0,0%	5 604	0,0%
Total	**17 262 573**	**100,0%**	**18 481 264**	**100,0%**	**18 694 467**	**100,0%**

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

Risk management (cont.)

As at 30 June 2017 the value the impairment allowance on mortgage loans in CHF for individual customers amounted to PLN 121 865 thousand and decreased by PLN 9 882 thousand compared to the end of the year 2016.

The average LTV weighted using exposure value on the portfolio of loans secured by mortgages denominated in foreign currencies at 30 June 2017 amounted to 116.6% (as at 31 December 2016 123.4 %) .

The below table presents quality of mortgage loans portfolio analyzed by denomination currencies and sub-portfolios by past due days (DPD) as at 30 June 2017.

Gross loans for individuals and micro customers secured by mortgage by dpd (in PLN thous)	not overdue	Past due (DPD)			
		<1 - 90>	<91 - 180>	above 180	Total
Individual customers					
PLN	1 432 397	95 269	4 896	534 602	2 067 164
EUR	3 221 058	125 713	8 776	6 779	3 362 325
CHF	9 514 474	870 392	47 317	106 161	10 538 343
USD	5 968	0	0	0	5 968
Total	**14 173 896**	**1 091 373**	**60 988**	**647 542**	**15 973 799**
Micro customers					
PLN	565 495	31 180	3 841	253 689	854 205
EUR	70 258	4 236	0	302	74 796
CHF	314 991	38 274	3 281	3 227	359 772
Total	**950 744**	**73 690**	**7 122**	**257 217**	**1 288 773**
Total					
PLN	1 997 893	126 449	8 737	788 290	2 921 369
EUR	3 291 316	129 948	8 776	7 081	3 437 121
CHF	9 829 464	908 666	50 597	109 388	10 898 115
USD	5 968	0	0	0	5 968
Total	**15 124 640**	**1 165 063**	**68 110**	**904 759**	**17 262 573**

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

Risk management (cont.)

Exposures from Renewable Energy Sources segment

Due to changing legal environment and changes in legislative process, in particular:

- changes in acts regulating Renewable Energy Sources (RES) market,
- amendment of regulations relating to installation of RES, i.e. Act on Investments in Wind farms (called distance act) dated 20 May 2016,

there were changes, which have direct impact on the RES market, including Wind farms market. Negative impact on the RES market has also temporary oversupply of Green certificates and its consequences.

According to the Group's policy, the Group does not finance new projects from Wind farms segment, and existing Group's exposure is under constant monitoring and credit reviews on quarterly basis, including detailed analysis of cash flows. All exposures from Wind farms segment are in the repayments period and are financed as a part of project finance. Group's exposure to the Wind farms is decreasing from quarter to quarter. The above described strategy will be continued.

In calculation of impairment on Renewable Energy portfolio, Group prepares scenario estimations taking into account expected developments in prices of green certificates in the future. Group takes into account scenarios with highest probabilities assigned and calculates both scenarios where the market price significantly increases above current market values of green certificates and scenarios where market price, according to experts judgments, decreases significantly in the future, i.e. the financing period.

37. Liquidity risk

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

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

Risk management (cont.)

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

30 June 2017							
			Contractual cash flows				
Type of liability	Nominal amount	Book value	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	Total
Liabilities in respect of derivative financial instruments	**898 475**	**1 041 232**	**112 366**	**221 400**	**375 870**	**24 836**	**734 472**
Inflows	17 406 565	-	9 426 851	3 623 080	4 780 239	21 280	**17 851 450**
Outflows	18 305 040	-	9 539 217	3 844 480	5 156 109	46 116	**18 585 922**
Financial liabilities	**42 100 008**	**42 141 851**	**33 059 776**	**5 943 925**	**3 368 878**	**275 665**	**42 648 244**
Amounts due to banks and other monetary institutions	7 011 224	7 016 675	906 854	3 124 966	3 284 884	0	**7 316 704**
including received loans	6 481 677	6 486 274	392 812	3 123 443	3 268 131	0	**6 784 386**
Amounts due to customers	33 711 620	33 745 904	31 701 638	2 136 114	39 856	295	**33 877 903**
Subordinated liabilities	316 950	317 228	3 275	112 916	37 317	232 140	**385 648**
Liabilities from issuance of debt securities	500 000	501 830	0	507 775	0	0	**507 775**
Other financial liabilities	560 214	560 214	448 009	62 154	6 821	43 230	**560 214**
Guarantee liabilities granted	**2 032 977**	**-**	**0**	**2 032 977**	**0**	**0**	**2 032 977**
Financial liabilities granted	**6 495 476**	**-**	**0**	**3 258 622**	**3 236 854**	**0**	**6 495 476**

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

Risk management (cont.)

30 June 2016							
			Contractual cash flows				
Type of liability	**Nominal amount**	**Carrying amount**	within 3 months	from 3 to 12 months	from 1 to 5 years	more than 5 years	**Total**
Liabilities in respect of derivative financial instruments	**1 433 433**	**1 571 142**	**340 291**	**131 730**	**1 093 377**	**10 965**	**1 576 362**
Inflows	24 864 777	-	16 528 693	2 079 353	6 403 170	12 302	**25 023 518**
Outflows	26 298 210	-	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**	**2 232 651**	**0**	**0**	**2 232 651**
Financial liabilities granted	**7 778 774**	-	**0**	**3 386 860**	**4 391 914**	**0**	**7 778 774**

38. Other market risks

38.1. Market risk

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

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

The management process comprises:

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

Risk management (cont.)

38.2. Currency risk

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

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

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

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

Value at risk limit	30 June 2017					
	Min.	Max.	Average	As at 30 June 2017	As at 31 December 2016	As at 30 June 2016
Currency risk	9	183	66	54	84	98

38.3. Interest rate risk for cash flows and fair value

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

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

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

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

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

Risk management (cont.)

	30 June 2017				31 December 2016				30 June 2016			
	Min.	Max.	Average	As at 30 June	Min.	Max.	Average	As at 31 December	Min.	Max.	Average	As at 30 June
Bank book												
<1Y	0	209	81	47	26	374	97	34	27	762	216	166
1 – 3Y	0	78	20	32	1	232	102	56	1	258	73	167
>3Y	21	51	39	21	17	30	24	27	17	62	38	24
Trading book												
<1Y	0	53	32	41	0	31	10	2	0	31	11	4
1 – 3Y	0	32	9	18	0	65	13	7	0	65	16	7
>3Y	0	185	32	27	0	81	28	16	0	81	30	37

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 2017					
	Min.	Max.	Average	As at 30 June 2017	As at 31 December 2016	As at 30 June 2016
Banking book	5 067	13 426	8 879	12 123	6 238	6 622
Trading book	226	1 404	686	747	474	843

38.4. Operational risk

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

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

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

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